INTEGRATED Report

Sanlam
Wealthsmiths™

ICON INDEX

Material stakeholders

- Business partners
- Clients
- Employees
- Government
- Regulators
- Shareholders
- Society

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Four strategic pillars

- Profitable top-line growth through a culture of client-centricity
- Enhancing Sanlam's resilience and earnings growth through diversification
- Extracting value through innovation and improved efficiencies
- Responsible capital allocation and management

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Distribution channels

- Advisers
- Independent brokers
- Direct
- Affinity groups, bancassurance, telecommunications and other partners

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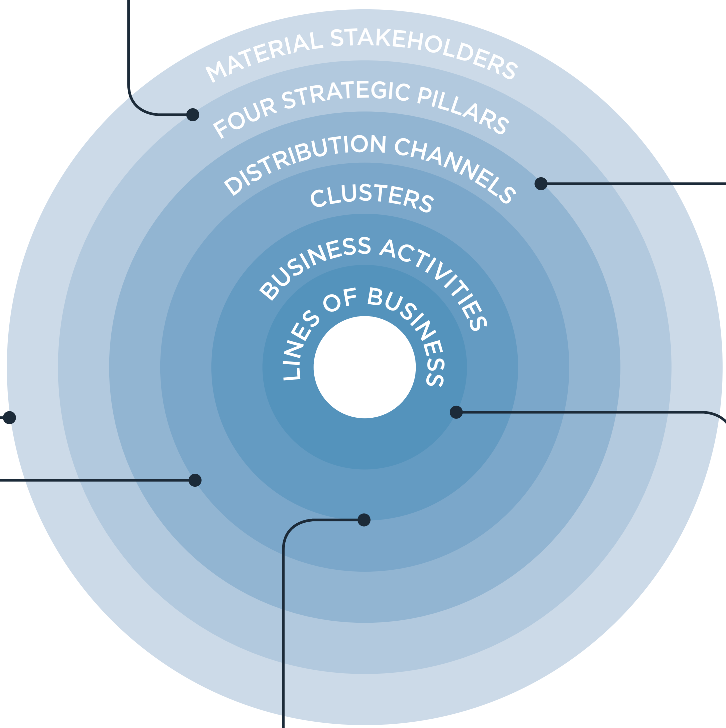

Clusters

- SPF Sanlam Personal Finance
- SEM Sanlam Emerging Markets
- SIG Sanlam Investment Group
- SNT Santam
- SC Sanlam Corporate

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Business activities

- Product development
- Business support
- Distribution and client support
- Product management
- Capital and risk management

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Lines of business

- Life insurance
- General insurance
- Investment management
- Credit and structuring
- Administration, health and other

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CREATING A WORLD WORTH LIVING IN

Introduction

Sanlam has spent the past 101 years creating a world worth living in by building resilient financial futures and lasting financial prosperity. We are helping to build a world for generations to come – so they can live their best possible lives within empowered communities and a protected and supportive environment.

We do this by consistently putting the client first – and continually doing what is right for the client. We develop trusted partnerships across networks, industries and countries. We evolve our client base to provide more people with access to financial services and innovative offerings for different markets, segments and channels. This contributes to transformation and empowered individuals, businesses and communities.

Highlights of the last century reflect our innovative and transformational mindset:

1924

Sanlam launched the first disability cover and income protection product, with the first payout made to a railway worker who lost his eyesight in an accident.

1977

We introduced the first computer-backed financial planning analysis for clients.

1993

We concluded the first major black economic empowerment deal in South Africa by selling control of Metropolitan Life to a black consortium.

1997

Sanlam became the first South African financial institution to enable offshore client investments.

1998

We turned two million policyholders into shareholders who became co-owners of Sanlam, thereby sharing in our success and profits.

2003

Sanlam Life Insurance Limited's (Sanlam Life) advisers became the first to receive accreditation from the internationally recognised Financial Planning Institute (FPI).

2004

Sanlam established one of the most successful broad-based black economic empowerment (B-BBEE) partnerships when we sold a stake in the company to Ubuntu-Botho (UB), a group of black investors led by Patrice Motsepe.

2013

Sanlam was the first major South African insurer to offer standard life cover for people living with HIV/Aids.

2018

Following the conclusion of the last phase of the Saham Finances acquisition, Sanlam became the largest non-banking financial services group on the African continent, and we initiated B-BBEE transactions valued at more than R10 billion that will bring further impetus to transformation in South Africa.

> **Sanlam has transformed from a small Cape-based insurance company established in 1918 into a leading, diversified financial services group with the biggest non-banking financial services footprint on the African continent.**

We take our responsibility as a corporate citizen seriously and play a stabilising role in all economies where we operate to support financial resilience, well-being, prosperity and inclusion.

Sanlam is a key pillar of the continent's financial infrastructure and South Africa's success. Any material instance of failure or impairment of Sanlam would have a significant impact on the economies in which we operate and the financial lives and futures of the people we protect.

This means that we have to continually create new responses to changing economic, social and political environments in ways that balance different interests responsibly. We also understand that we need to be transparent in how we make these choices and allow stakeholders to shape our thinking in an integrated and balanced way.

Our integrated reporting journey continues, with an emphasis on our performance and progress in 2019. We also explain how we remain true to our purpose: to build a world where people can live their best possible lives through financial resilience and prosperity. Our reporting retains a strong strategic focus. We recognise how current performance directs future prospects, and how governance structures and controls are essential in safeguarding the integrity of our leadership position.

We welcome your feedback. Please contact us and suggest how we can improve our reporting, disclosure and practices to the ultimate benefit of all our stakeholders.

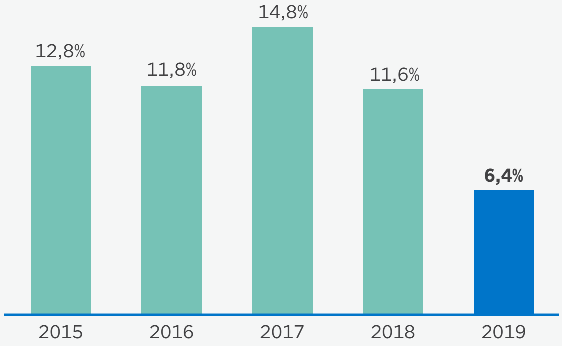
Why invest in Sanlam

- We have been creating value and contributing to financial resilience and prosperity for more than 100 years – for all our stakeholders.
- We are well diversified: our financial solutions meet the full individual or organisational life cycle needs for all financially active income groups in 44 countries.
- Our large, stable South African base, which contributes 67% to net result from financial services, and mature book allows us to invest in other high-growth, but more volatile, territories through a partnership model.
- We have a first-move advantage in the Rest of Africa and an unmatched Pan-African presence in 35 countries on the continent.
- Our omni-channel distribution approach creates seamless interaction and comprehensive support to enhance the personal intermediary model – encompassing more than 15 000 brokers and advisers in the Life Business in South Africa – with a strong direct sales capability.
- Our strategy has remained consistent since 2003. Our purpose and strategic pillars remain relevant and continue to create value over the short, medium and long term. This enabled us to outperform our Return on Group Equity Value (RoGEV) target since listing in 1998.
- We have a skilled and experienced executive management team with more than 10 years' collective experience. They have appropriate accountabilities and incentives linked to financial and non-financial indicators to drive high performance.
- We increase our dividends in real terms through a stable dividend policy.

2019 AT A GLANCE

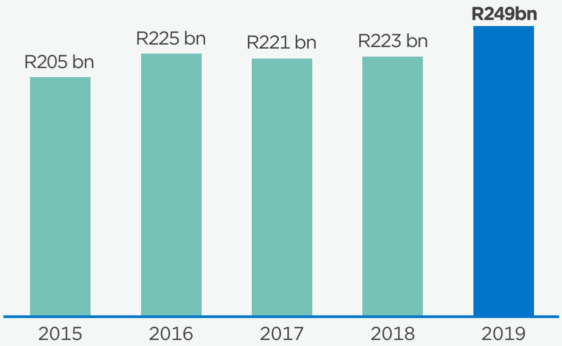
PERFORMANCE HIGHLIGHTS

Return on Group Equity Value per share
(2019 target: 13,5%)



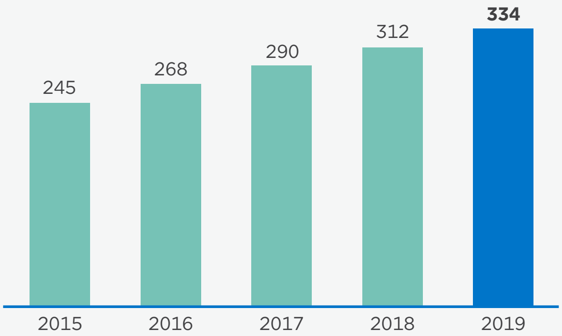
+14,6% 10yr CAGR
+11,9% Adjusted RoGEV per share

New business volumes
(2019 target: maintain volumes in a difficult environment)



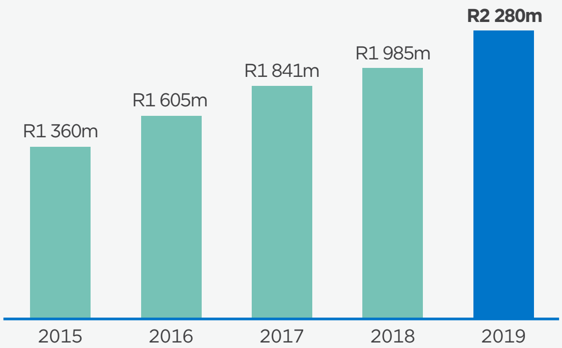
+11,8%

Dividend per share (cents)
(2019 target: 329 – 336 cents Real growth of 2% – 4%)



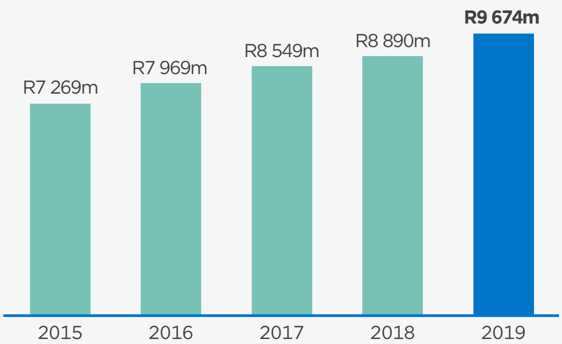
+12,6% 10yr CAGR
+7,4% (Real growth of 3,3%)

Net value of new covered business (VNB)
(2019 target: +4% on consistent economic basis)



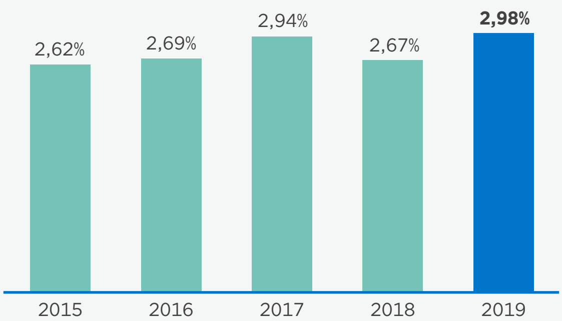
+14,9%
(+10,3% on consistent economic basis)

Net result from financial services
(2019 target: +9% in constant currency and allowing for growth initiatives)



+9%
(+7% in constant currency)

Net VNB margin
(2019 target: +2,75% on consistent economic basis)



+2,88% on consistent economic basis

Level 1

Financial Sector Charter (2018: Level 1)

R58m

Corporate social investment spend (2018: R62 million)

16,50%

Office staff turnover (2018: 17,25%)

8,7

Tonnes CO_2/full time employee (2018: 9 tonnes)

Top 30

of the FTSE/JSE Responsible Investment Index

JSE Top 20

based on market capitalisation (R185 billion on 31 December 2019)

FTSE4Good

Index Series constituent

2019 awards and accolades

- Sanlam won 30 awards, including the top award as Best Brand, at the 2019 Interactive Advertising Bureau Bookmark Awards. These awards have recognised excellence and innovation in digital and interactive marketing for the past 11 years in South Africa.
- Saham Assistance won the prestigious Hall of Fame award at the AfricaRe/African Insurance Organisation (AIO) conference. The AIO judges cited Saham Assistance for its leadership across the African continent and exemplary service to clients, as well as for a product range that covers all its clients' insurance needs.
- Sanlam won the award for Best Reporting and Communication in the Financial Insurance Sector, presented by the Investment Analysts Society of South Africa in 2019. Sanlam has now won the corporate reporting award 10 times since listing on the JSE.
- Global research, consulting and training firm Great Place to Work certified FBNInsurance and its subsidiary, FBN General Insurance Limited, as two of Nigeria's best employers to work for.
- Saham Life Insurance Ghana won the Customer Care/Service award at the 2019 Ghana Insurance Awards.
- Anil Aggarwal, Managing Director and Chief Executive Officer (CEO) of Shriram General Insurance, was named CEO of the Year: General Insurance at the prestigious India Insurance Summit & Awards hosted in Mumbai.
- Shriram Life Insurance received the award for Best Customer Experience in the Financial Sector, (Non-banking) at the 13th Edition of The Customer FEST Awards. Hosted in Mumbai, India, these awards recognise excellence in loyalty, client experience and data analytics to serve the unique requirements of clients.
- Sanlam's Pink Tax campaign won the Public Affairs/Government Relations category as well as a Certificate of Excellence in the Southern African division at the SABRE Awards.
- Satrix won the People's Choice award for the second year running at the South African Listed Tracker Funds Awards.
- Sanlam won 10 awards at the 2019 Loeries, the most prestigious creative and brand communication awards in Africa and the Middle East.
- Sanlam received Top Employer certification in 2019 by The Top Employers Institute – for the fifth consecutive year.
- Zimnat, Sanlam's Zimbabwean business partner, won eight marketing excellence awards at the Exceptional Marketing Awards 2019, presented by the Marketers Association of Zimbabwe.
- The inaugural South African Loyalty Awards, initiated by Truth, South Africa's leading loyalty and customer-centricity consultancy, recognised Sanlam Reality for "Best use of data analytics/CRM applications".

There's never been a better time to partner with us

We are enriching communities through the Sanlam Foundation*

R540m invested in communities over the past 10 years

R1,5m pledged in CSI projects in Uganda over the next three years

R185m invested in enterprise and supplier development up to 2019

R8,5m in 2019 invested in water security through our partnership with WWF-SA

More than **50 000 South Africans** empowered by our Wage Wise programme

Nearly **450 000 children** benefit from our literacy projects every year

Namibia N$1m to Haimbili Haufiku Senior Secondary School

We are enriching communities through our sponsorships*

Approaching **R50m** raised for CANSA in 28 years

R230m in economic impact via the 2019 Sanlam Cape Town Marathon

Nearly **20 years** since we started helping children grow smarter, stronger and kinder through Takalani Sesame

Nearly **500 000 aspiring soccer stars** participated in the Kay Motsepe Schools Club over the past 10 years and just over **R35m** worth of prize money has been invested into school legacy programmes

As at 31 December 2019

We are making a lasting economic impact*

R190bn of wealth distributed in 2019:

- **R153bn** to clients
- **R6,4bn** to government
- **R7,8bn** to shareholders
- **R13,3bn** to employees and the balance to suppliers

R3,4bn invested in BEE transactions by Sanlam

R856bn of assets under management by SIG

€160m managed in a joint venture with the Dutch Development bank in the fight against climate change

38 years of retirement research via Sanlam Benchmark Symposium

99% of death claims paid out, maintaining a 5-year record

A SNAPSHOT OF SANLAM

ABOUT US

Sanlam was established as a life insurance company in South Africa but has since transformed into a diversified financial services group that operates across the African continent, India, Malaysia and selected developed markets, with listings on the Johannesburg, A2X and Namibian stock exchanges. In 2018, the Group celebrated its centenary as well as 20 years since demutualisation and listing in South Africa and Namibia.

Our vision is to be the leader in client-centric wealth creation, management and protection in South Africa, to be a leading player in Pan-African financial services with a significant focus on India, Lebanon and Malaysia and to play a niche role in aspects of asset and wealth management in specific developed markets.

Sanlam operates through a number of subsidiaries, associated companies and joint ventures. Sanlam Life is the largest operating subsidiary and the holding company of most of Sanlam's operations in emerging markets.

The Group also has stakes in operations based in Algeria, Angola, Benin, Botswana, Burkina Faso, Cameroon, Côte d'Ivoire, Gabon, Ghana, Guinea, India, Kenya, Lebanon, Madagascar, Malawi, Malaysia, Mali, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Republic of the Congo, Rwanda, Saudi Arabia, Senegal, Eswatini, Tanzania, Togo, Tunisia, Uganda, United Kingdom, Zambia and Zimbabwe and has interests in the Australia, Burundi, Lesotho, Philippines and the USA.

How we earn trust

Our long-term success is fundamentally built on trust. Clients entrust us with their money for the long term based on the belief that we will honour the financial outcomes promised by our solutions. This trust is founded on a culture of offering sound advice, fair treatment and a range of financial solutions that meet clients' needs and expectations.

Sanlam is an integral part of the societies in which we operate through our role as an accumulator and allocator of client and shareholder funds. We have a responsibility to allocate and invest these funds in a manner that optimises long-term returns for our clients and shareholders, while also benefiting our wider stakeholder groups. In this regard, we play a particularly meaningful role in ensuring stability and liquidity in the financial sector. This creates an environment where our clients and their communities are more resilient and can plan for their financial futures with a higher degree of certainty.

Sanlam's contribution to society is shaped by initiatives that support entrepreneurship, education, economic growth and environmental-related risk management.

Governance structures enable us to consider and balance the needs of all of our stakeholders – thereby creating sustainable value and trust.

Our main sources of earnings

We offer our clients a large and diversified range of solutions across life insurance; general insurance; investment management; credit and structuring; and administration, health and other lines of business. Our solutions span the broad spectrum of financial services, but specifically exclude transactional banking. Our strategy is to partner with banks to provide non-banking financial solutions rather than to compete directly with them across all lines of business. This ensures a mutually beneficial partnership through appropriate focus on the respective areas of expertise.

Our main sources of earnings are the net operating profit we earn from our different lines of business (net result from financial services) and the net income we earn from investing discretionary capital and the capital allocated to our operations in the financial markets (net investment return). Current and expected future growth in these sources of earnings is the main driver behind shareholder value creation as measured by RoGEV, our main financial performance indicator.

Read more about the drivers behind our main sources of earnings and RoGEV in the Understanding our business section from page 11.

Our business clusters and decentralised operating model

Sanlam has a decentralised management structure and conducts operations through five business clusters that deliver tailored, comprehensive and client-centric financial solutions to individual and institutional clients across all market segments. Sanlam's areas of expertise include insurance (life and general), financial planning, retirement, investments and wealth.

SPF Sanlam Personal Finance

Sanlam Personal Finance (SPF) is responsible for the Group's retail life and investment business in South Africa. It provides clients with a comprehensive range of appropriate and competitive financial solutions, designed to facilitate long-term wealth creation and protection.

- Sanlam Sky Solutions (Sanlam Sky) is responsible for funeral cover business and related services.
- The Recurring premium sub-cluster provides risk underwriting products, excluding funeral cover business, and recurring premium savings solutions. This includes MiWay Life, Brightrock and Sanlam Indie.
- Glacier is responsible for single premium life and linked investment savings plan (LISP) solutions.
- Strategic Business Development is an incubator for new initiatives and manages ancillary services businesses.

SEM Sanlam Emerging Markets

Sanlam Emerging Markets (SEM) constitutes Sanlam's financial services offering in emerging markets outside South Africa, with the aim of ensuring sustainable delivery and growth across its various businesses. Focus areas include:

- Retail and Group life insurance and related business
- General insurance
- Investment management
- Credit: secured and unsecured

SIG Sanlam Investment Group

Sanlam Investment Group (SIG) provides retail and institutional clients in South Africa, the United Kingdom and elsewhere in Europe access to a comprehensive range of specialised investment management and risk management expertise. Focus areas include:

- Investment management
- Wealth management
- International investments
- Corporate credit
- Debt and equity structuring

SNT Santam

Santam provides a diversified range of general insurance products and services in Southern Africa and internationally to clients, ranging from individuals to commercial and specialist business owners and institutions. Santam's international diversification strategy focuses on reinsurance business, specialised insurance products, and its role as technical partner and co-investor in SEM's general insurance businesses in Africa, India and Malaysia.

Santam's business units include:

- Santam Commercial and Personal
- Santam Specialist
- MiWay
- Santam Re
- SEM Investments

SC Sanlam Corporate

Sanlam Corporate (SC) targets chosen corporate clients with financial solutions underpinned by:

- Employee benefits (providing risk and investment solutions and administration services to institutions and retirement funds)
- Health solutions
- Institutional offerings sourced from other clusters

The five clusters are largely autonomous and manage their business units within a framework of tight principles. The clusters focus on specific markets and/or market segments and are interdependent and complementary in their offerings and approach. This ensures that the value of the whole is larger than the sum of the parts and results in a combined effort to maximise RoGEV.

The clusters are supported by the Sanlam Group Office, which maintains synergies and co-operation among the clusters and provides guidance on market and environment-related developments. The Group Office is responsible for Group strategy, capital and risk management, and capital allocation to clusters. The following functions provide Group-wide support and co-ordination:

- Finance
- Actuarial and risk management
- Information technology
- Human resources
- Market development
- Brand services

We believe that this model differentiates us from our peers in strategic execution – particularly when combined with our partnership approach, which provides us with a competitive advantage.

Our distribution partnerships with banks, telecommunication companies, affinity groups, international brokers and other financial and non-financial players enable us to improve access to financial services in the entry-level market. This introduces a broader spectrum of society to the benefits of financial resilience and prosperity.

These partnerships support market share gains in the other segments where our partners operate. Key recent partnerships include the Capitec funeral distribution agreement in South Africa and the package of B-BBEE transactions approved by Sanlam shareholders in December 2018, which improve Sanlam's competitiveness and ability to gain market share in areas where we do not have a leading position in South Africa, namely third-party asset management, employee benefits, health and the entry-level market segment.

Read more about these transactions in the Group Chief Executive's strategic review from page 51.

Our general preference in emerging markets outside of South Africa is to have local partners as equity investors in our businesses. These partners provide us with distribution capability, an understanding of the local market conditions and culture and, in many instances, existing relationships with regulators, independent brokers and institutional clients.

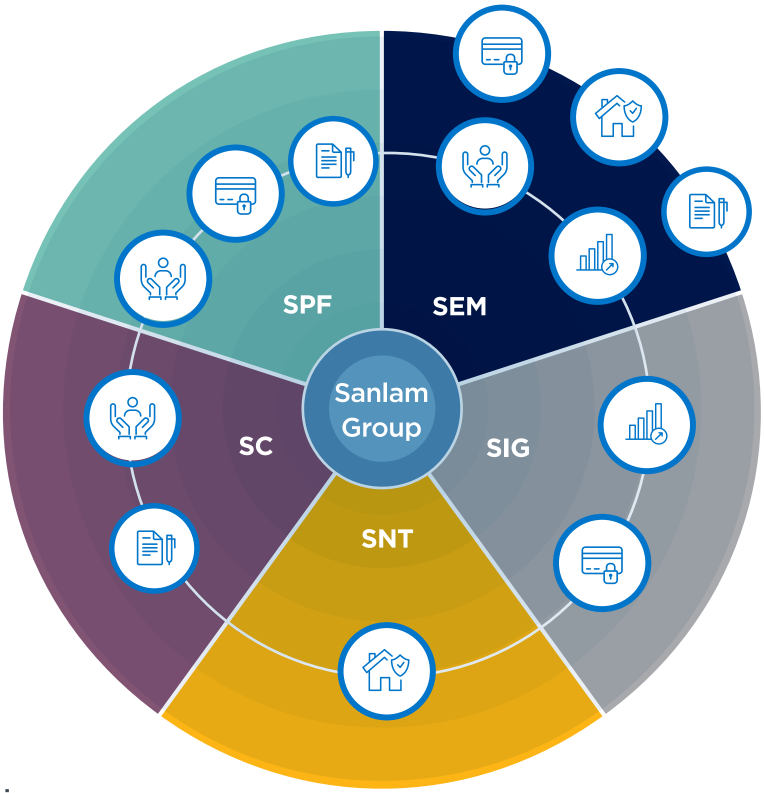
Sanlam in turn has a wealth of experience in product development, financial and actuarial support, risk management and sound governance, thereby fulfilling the role of technical partner. Our decentralised operating model allows for flexibility in how we manage these partnerships, which proved to be a key differentiator for Sanlam's success in operating across our chosen emerging markets compared to other multinationals.

This is a unique model, making Sanlam more competitive and better placed to extract future opportunities emanating from shifting demographic profiles.

Our offerings per cluster, key financial solutions, business activities and distribution channels

Our offerings per cluster

Sanlam's financial and risk solutions support wealth creation and protection for individuals and organisational clients. The benefits of these solutions often has a positive impact beyond the client, as it supports systemic resilience for businesses, families and communities, such as in the case of death, disability or fires and floods.



Our key financial solutions

Life insurance

Risk solutions provide monetary benefits to compensate for the financial impact of unexpected events such as death, disability, trauma and retrenchment.

Investment solutions facilitate wealth accumulation and provide for income at retirement through a full range of investment options that offer varying levels of investment guarantees.

General insurance

Insurance solutions provide monetary benefit to compensate for the loss of physical property, loss of trading income or liability incurred. It includes motor, property, aviation, crop, engineering, guarantee, liability, accident, transportation and alternative risk transfer insurance.

Investment management

Retail client solutions offer savings options that create wealth through a range of collective investment schemes and wealth management solutions.

Institutional client solutions offer wealth creation through traditional and specialist asset management in South Africa and abroad.

Credit and structuring

Retail client solutions offer access to personal loans on both a secured and unsecured basis to create long-term financial prosperity.

Institutional client solutions provide asset-based financing, debt origination and structuring, asset-liability management, equity and interest rate derivatives, and collateralised lending in support of business activity and economic growth.

Administration, health and other

Long-term financial resilience and prosperity is created through individual and organisational financial needs analysis and advice (including estate planning, trusts, wills), health management and retirement fund administration.

Our business activities

We deliver our financial solutions to the market and create value for our stakeholders through the following primary business activities:

Product development

We conduct market research and analyse competitor offerings to understand the financial needs of our target market. We develop innovative solutions and adapt current solutions to address client needs. We develop distribution channels and adapt current channels in line with client preferences.

Business support

We provide business support services including financial management, accounting, actuarial valuations, regulatory reporting, human resources support and information technology.

Distribution and client support

We manage and support the various distribution channels and provide client support services. This includes client account administration, actuarial valuations, ongoing advice, claims management and management of client complaints. Corporate and product-specific branding campaigns connect us to our clients.

Product management

We match the liabilities relating to solutions that offer clients guaranteed returns with appropriate assets to ensure that the guarantees can be funded from the returns on the assets. We conduct analyses of the variances between actual and expected life insurance and general insurance claims, as well as actual and expected policy surrenders and lapses to identify emerging trends as input to new product development, product repricing and claims management. Governance of the bonuses declared in respect of participating products ensures fair treatment between clients over time.

Capital and risk management

We deploy discretionary capital, optimise capital allocation to clusters, undertake financial and actuarial risk management and implement effective governance structures to ensure regulatory compliance.

Our distribution channels

Omni-channel distribution ensures that clients are reached and serviced through their preferred channel. The distribution model is continuously adapted to changing client preferences, with increased focus on developing our digital capability. Sanlam's current distribution channels are classified into four categories:

Advisers

Advisers service our retail clients via two categories: those accredited to sell only Sanlam products, and those accredited to sell a wider product range. Where an adviser is accredited to sell a wider product range, limits apply to the proportion of business that can be placed at competitors. Adviser channels are managed according to market segment (entry-level, middle-income, affluent and professional/small business). This ensures appropriate focus on the needs of the various segments in line with our client-centric business philosophy.

Independent brokers

Brokers service retail and institutional clients across market segments and are supported by dedicated broker support units. In the South African affluent market the majority of new business is written through brokers. In the Rest of Africa most institutional general insurance business is placed by brokers. Given their independence to distribute all competitor products, establishing and maintaining superior support and relationships with this channel is a key focus area of the broker support units.

Direct

Direct units distribute Sanlam products directly to retail and institutional clients using technology-based channels such as outbound call centres, online platforms and mobile communication. Direct distribution contributes a major portion of Santam's general insurance premiums through MiWay, but the contribution to life and investment business volumes is still relatively small but growing strongly, and will become a more pronounced source of business. The development of our digital capability as part of the omni-channel approach is therefore receiving particular emphasis.

Affinity groups, bancassurance, telecommunications and other partners

Affinity groups focus on distribution through groupings of retail clients such as employer and church groups. The affinity group partner is responsible for administration at an individual member level, and Sanlam provides the products. Sanlam has strategic alliances with banks, telecommunications companies and other distribution partners across Africa through which we distribute insurance and investment products to large client bases through single entry points. This is a benefit for start-up operations to gain economies of scale faster than through traditional retail intermediaries. It forms a critical part of our omni-channel distribution approach and promotes financial access in emerging market segments due to the lower distribution cost.

Our global presence

Sanlam is one of the 50 largest internationally active insurance groups in the world with a direct and indirect presence in 44 countries. Through SEM, Sanlam has the most extensive insurance footprint on the African continent. We have a direct presence in 33 countries in Africa through 65 subsidiaries.

Sanlam Life products are distributed through **7 830 financial advisers** in South Africa.

Sanlam is supported by **4 790 independent retail brokers** in its Life Business in South Africa.

Sanlam is one of the top three market leaders in **10 African countries** for life insurance.

Sanlam is one of the top three market leaders in **10 African countries** for general insurance.

Sanlam has **R856 billion** invested in financial markets through Sanlam Investment Group.

Sanlam provides employment to **105 012 individuals globally**.

Sanlam has a unique Pan-African footprint, scale and expertise.

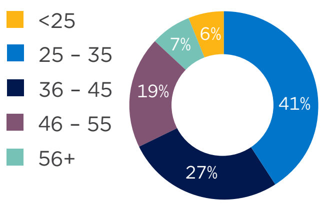
We continue to extract synergies following the Saham Finances acquisition in 2018 and expand our offering to multinational companies operating across the African continent. Our holistic approach ensures ease of doing business, aimed at international insurance brokers and developed market insurers that need to provide their client base with insurance and employee benefits solutions across Africa.

Our employees

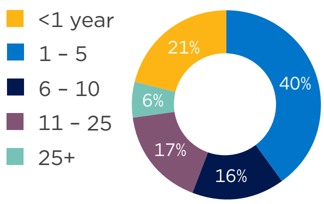
Our employees are one of our key stakeholder groups. We rely on their specialised skills to execute our strategy. At Sanlam our approach to employees is the same as our approach to clients: we want to enable them to live their best possible lives. We recognise that our employees are in different life stages and that we employ a multi-generational workforce in different business units and geographies. More information about what we do for our employees, as well as our approach to transformation, empowerment and diversity, is available on the Sanlam Sustainability Portal: www.sanlam.com/investorrelations/sustainability/.

105 012	**75%**	**61%**	**17%**
Global number of employees	**black employees***	**female employees***	**turnover in office employees***
(2018: 103 662)	**(2018: 75%)**	**(2018: 63%)**	**(2018: 17%)**

Average age*



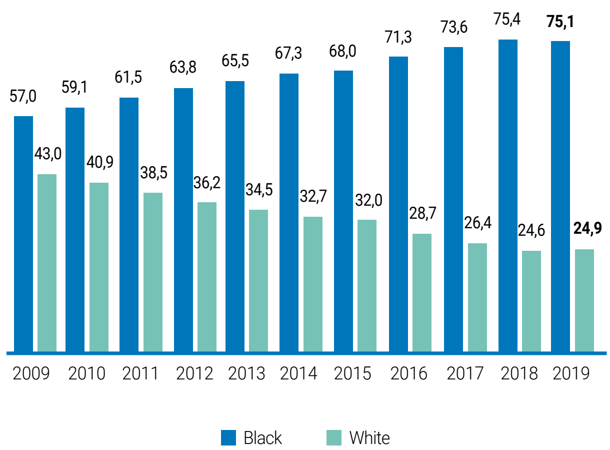
Average tenure*



* South Africa only.

Black: White ratios by occupational level*

31 December 2019



Our business philosophy as it relates to our people:

- Sanlam believes people are its single most important resource. We will therefore not operate in a market unless we have the right people for that market.
- Sanlam values diversity in its people and will drive strategies that foster this.
- The Group supports a set of defining core competencies embedded into all roles.
- The management of people is a line function, with management taking full responsibility within an appropriate human resources framework.

Our employee experience is shaped by:

- A compelling and differentiated employee value proposition (EVP)
- A high-performance and values-driven culture
- A dedicated focus on diversity and inclusion
- An environment where technology, analytics and digital advancement are prioritised
- Opportunities for growth, development and mobility across the Group

This year we focused on finding ways to better package and present the total reward statement with an emphasis on highlighting the range of employee benefits. Two new programmes were launched:

Our Group recognition programme enables peer-to-peer recognition.

An educational assistance programme was launched that offers a pre-tax mechanism to pay school and tertiary fees

We collaborate with our employees to help them realise their worth. We are committed to providing a stimulating work environment and development opportunities. Training and development are prioritised in our human resources strategy, and cross-cluster processes are designed to drive internal career advancement. In South Africa:

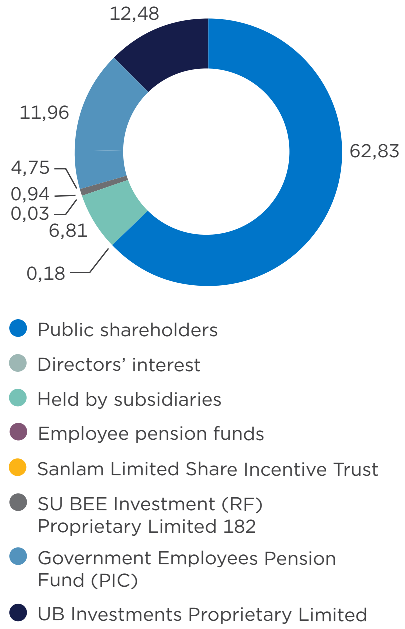
R343,5 million spent on training and development (including associated management expenses) (2018: R344,4 million)	**74,0%** of employees received training (2018: 77,2%)
74,6% of employees who received training were black (2018: 73,4%)	**60,5%** of employees who received training were female (2018: 59,3%)

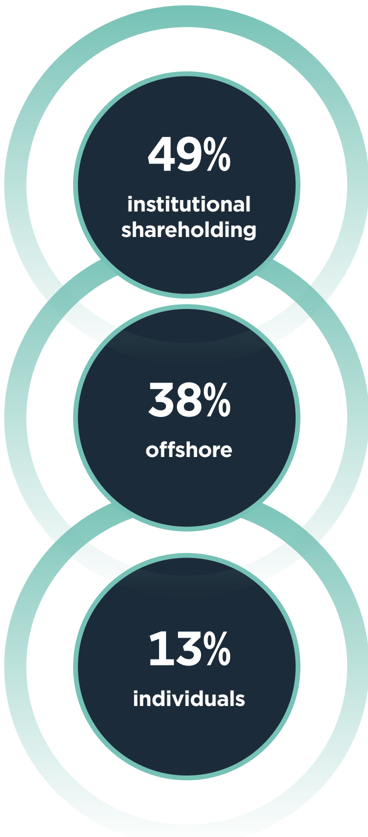
We continue creating opportunities to increase our employees' wellness and financial literacy, reduce their financial stress and enhance their productivity through the following activities, among others:

- On-site wellness, online self-reporting and pharmacy-based screening provide convenient ways to access health screening.
- Our innovative online programme includes personal assessments, an ask-the-coach advisory service and a series of self-help emails.
- Be Active is an incentivised step-tracking module that enables employees who track their daily steps or complete online self-assessments.
- Sanlam's 24/7, confidential and professional Employee Assistance programme (EAP) offers advice, support and counselling on psychosocial, personal, financial and legal matters.
- We have an on-site health clinic at our Bellville head office where employees have access to registered nurses. This clinic caters to our employees' basic health needs and contributes to workplace productivity and balance.

We introduced a survey to establish a benchmark for employees' financial wellness. Almost 2 000 employees participated. Responses were concerning, indicating high levels of indebtedness, poor financial planning, poor readiness for retirement and general budgeting inadequacy among most respondents. While we offer employees a variety of financial support tools (including opportunities to meet with financial advisers and debt counselling), this is a future focus area.

Sanlam ownership profile (%)





UNDERSTANDING HOW WE CREATE VALUE

The following pages illustrate how we create value for our material stakeholders through our business activities and focused strategy execution, aimed at contributing to their financial resilience and prosperity. This is unpacked at a high level in the graphic below, which provides a quick overview of our value creation story as well as references to where more information can be found within this report.

1

Our four pillar strategy keeps us focused on what we need to do to create sustainable value for all stakeholders and capitalise on future opportunities. Find our strategy at a glance and key opportunities on page 20. Read more about our four strategic pillars from page 121.

2

We have a specific vision for each geographical region in which we operate. This is supported by a portfolio of client-centric solutions that are delivered through our clusters and distribution channels – reflecting a diverse presence in the financial services value chain. Read more about how we implement our vision per geographical region on page 22. Read more about our business activities, distribution channels and key financial solutions offered per cluster on page 12.

3

The material resources and relationships that we require as inputs into our business are derived from our stakeholder groups. Read more about these stakeholders, resources and relationships on page 24.

4

We measure stakeholder value creation through a range of indicators per material stakeholder group, which arise as outcomes of our business activities and strategy execution. These outcomes include key non-financial measures for success and reflect our contribution to financial resilience and prosperity. Read more about these outcomes on page 27.

5

Our primary performance target is RoGEV, which primarily measures shareholder value creation. Given the direct relationship between shareholder and other stakeholder value creation over the long term, RoGEV also indirectly reflects how successfully we create value for our other material stakeholders. Read more about RoGEV on page 28.

Read more about our value creation story on the following pages of this report.

Through our business activities and focused strategy execution we create a positive cycle of financial resilience and prosperity that enables individuals, organisations and society to build a world where they can live their best possible lives – which is why Sanlam exists.

A positive growth cycle

Through our business activities, we accumulate premiums and pool savings on behalf of clients, utilising these to grow and protect their wealth. We enhance and leverage wealth creation for our clients through ancillary financial services.

Clients

We invest the funds we accumulate responsibly in a range of asset classes. This enables us to grow our clients' wealth through investment returns and protect wealth by paying benefits if unforeseen events cause financial loss. We also grow our clients' wealth by accelerating their ability to accumulate assets through ancillary financial services such as lending. Our shareholders share equitably in the overall wealth we create through the fees and margins we earn from our financial solutions.

Shareholders | **Clients** | **Business partners**

Society benefits from the stability that we provide to the financial system. We also act as a funder of government and corporates, thereby contributing to economic growth and socio-economic development. By creating value for society we enhance the size of our client base and the talent pool from which we attract the skills we need to operate.

Government | **Society** | **Employees** | **Regulators**

1 A snapshot of our strategy

Our strategy sets out the elements that guide our long-term direction and thinking. It gives life to our purpose and provides clarity when we determine priorities. Our strategy considers our economic, political and regulatory environment, which gives rise to various risks and opportunities. These are introduced at a high-level on the following page. Our strategy also considers our material stakeholders and how we can best optimise value creation for them. This includes understanding and managing the sometimes conflicting expectations and trade-offs amongst our various stakeholders through active engagement and stakeholder participation.

ECONOMIC ENVIRONMENT

REGULATORY ENVIRONMENT

POLITICAL ENVIRONMENT

Our purpose

Our purpose is to build a world that supports people in living their best possible lives through financial resilience and prosperity.

Our strategic intent

Our strategic intent is to create sustainable value for all stakeholders

Our vision in South Africa

Lead in client-centric wealth creation, management and protection in South Africa

Our vision in Africa, India and Malaysia

Be a leading Pan-African financial services player with a significant focus on India and Malaysia

Our vision in developed markets

Play a niche role in aspects of asset and wealth management in specific developed markets

Our strategic pillars

- Profitable top-line growth through a culture of client-centricity
- Enhancing Sanlam's resilience and earnings growth through diversification
- Extracting value through innovation and improved efficiencies
- Responsible capital allocation and management

EXECUTED THROUGH OUR FIVE CLUSTERS

- SPF
- SEM
- SIG
- SNT
- SC

Transformation

Continuous transformation is central to Sanlam's ability to adapt to a changing world and underpins all of the strategic pillars.

OUR MATERIAL STAKEHOLDERS

Our key opportunities and creating future value

Sanlam is an emerging market player with a unique footprint that spans countries with high economic growth potential and low financial services penetration outside of South Africa (our home market). This provides us with a leveraged future growth opportunity as we are well positioned to meet the demand for financial solutions that arises when demographic profiles change and aspirational lifestyles develop due to economic growth, urbanisation and young people entering the formal economy.

Our key enablers:

- Mutually beneficial partnerships
- Diversification across geographies, market segments and lines of business
- Continuous transformation to adapt to a changing world
- Continuous mitigation of risk and pursuit of opportunities
- Continuous focus on ethical leadership, values and culture

Factors shaping our economic context:

- Global GDP growth
- Availability of capital and liquidity
- Geopolitical risk/trade wars
- Brexit
- Elections and political stability
- Governance failures
- Market performance
- Country ratings
- Infrastructure investment levels
- Technological developments

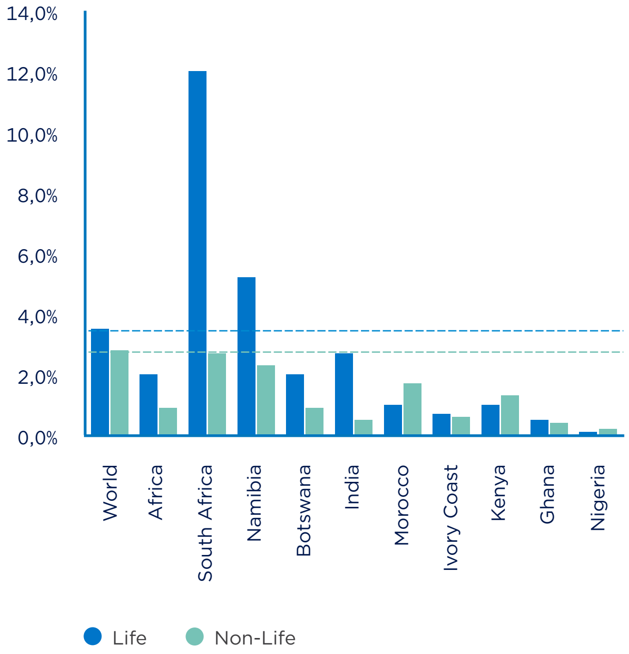
Read more about our economic and regulatory environments on page 37.

Strategic risks relate to our stakeholders and environment, and impact our ability to continue our business operations and create sustained value:

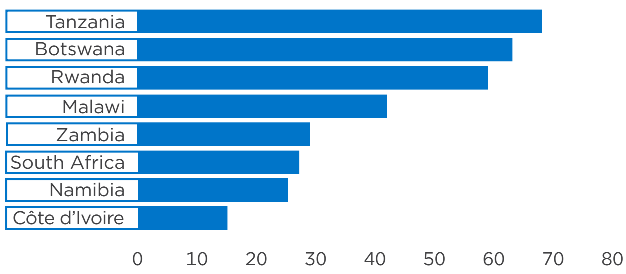
- Poor economic growth
- Disruptive threats/Fourth Industrial Revolution
- Cyber-risk
- Human resource scarcity and stretched resources
- Simultaneous regulatory implementation
- Diversified growth initiatives
- Implementation of the Group's Pan-African strategy
- Transformation and diversity
- Political and social instability
- Severe weather/climate change

Read more about the ways we identify, manage and mitigate our key risks on page 130.

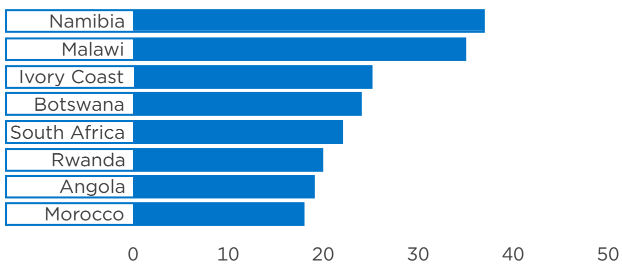
Insurance penetration as % of GDP



Life insurance market share (%)



General insurance market share (%)



2 Implementing our vision in each of our geographical regions

Our business model has a strong geographic approach based on the 44 countries where we operate.
We have a specific vision for each geographical region, with a portfolio of solutions, distribution channels and partnerships to execute on our strategic pillar to enhance resilience and earnings growth through diversification.

We have a partnership model to enable efficient value creation and transformation.
South Africa still dominates in terms of profit contribution, but we are gaining market share in Africa following the acquisition of Saham Finances. The net result from financial services contribution from the Rest of Africa is expected to grow considerably in the next five years.

Our key capabilities

We create competitive advantage by:

- employing some of the best-skilled and most experienced people in the industry;
- offering competitive and diversified financial solutions;
- having a track record of responsible and efficient capital allocation;
- having an unmatched footprint with scale and presence in 44 developed and emerging markets;
- having a strong and trusted brand; and
- having a presence in all forms of distribution channels.

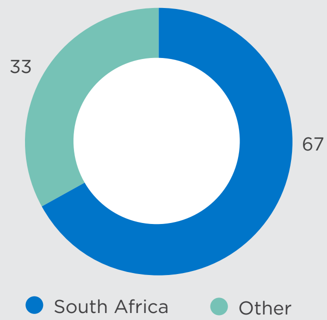
In South Africa:

In South Africa our preferred model is to have wholly owned subsidiaries except where a partner can offer a complementary capability – then we take a smaller stake in the business or venture. Examples include BrightRock, EasyEquities and Capitec.

Cluster operations

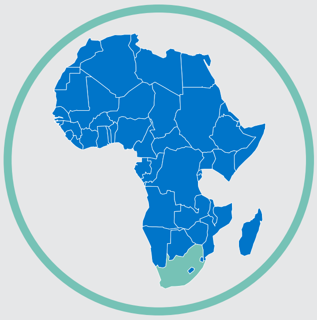
SPF SIG SNT SC

Net result from financial services (%)



Client-centric solutions and channels

Our vision: To be the leader in client-centric wealth creation, management and protection in South Africa



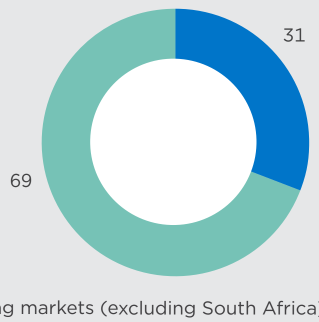
In other emerging markets:

In other emerging markets our preferred model is majority ownership but with a meaningful shareholding by our in-country partner. We are prepared to take minority stakes where necessary to execute on our growth strategy.

Cluster operations

SEM SNT

Net result from financial services (%)



Client-centric solutions and channels

Our vision: To be a leading Pan-African financial services player with a significant focus on India and Malaysia

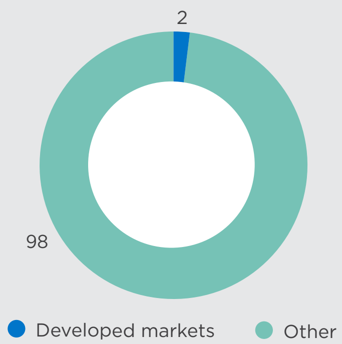
In developed markets:

In the UK we have mostly wholly owned operations but will consider partners to scale the business.

Cluster operations

SIG

Net result from financial services (%)



Client-centric solutions and channels

Our vision: To play a niche role in aspects of asset and wealth management in specific developed markets

3 The material stakeholders, resources and relationships that enable us to execute our strategy

Our material stakeholders

Our material stakeholder groups are shareholders, clients, employees, business partners, governments, regulators and the broader society in which Sanlam operates. Our business philosophy is built on optimising value creation for our material stakeholders. This includes understanding and managing the sometimes conflicting expectations and trade-offs between the various stakeholders through active engagement and stakeholder participation.

The key trade-offs that we manage include:

- Product profitability versus the value proposition for clients
- Profitability versus investment in employees
- Investing in innovation and new growth initiatives at the expense of short-term profitability as these initiatives typically take a few years to become profitable
- Balancing the one-off cost of transformation initiatives with potential future gains in market share and long-term profitability
- Potential impact of responsible investment practices on short-term investment returns
- Optimising the level of retained shareholder capital versus sustained solvency

The material resources and relationships that we require as input into the business are derived from our stakeholder groups.

To source these, we ensure that our business model outcomes meet our stakeholder expectations. When stakeholders experience positive outcomes, they are willing to participate, invest in and engage with Sanlam as an employer, partner, capital provider, corporate citizen and financial solutions provider. Our RoGEV drivers encompass the majority of these stakeholder requirements and expectations, and therefore constitute the most appropriate way to measure whether we continue to create value.

Read more about our stakeholder network, key touch points and how we govern our stakeholder relationships in the sustainability portal of the Sanlam investor relations website.

Our business model relies on a well-functioning financial system and a set of key relationships and capabilities.

Our sources of and approach to financial capital

Financial capital allows us to operate our existing businesses and acquire new businesses in pursuit of future growth. To maximise shareholder returns, we optimise the level of capital and take due cognisance of solvency requirements to safeguard our clients, business partners and regulators. We have refined capital and risk management processes in place to achieve this and deliver on our investment case of stable cash dividends combined with future growth prospects. We aim to increase cash generation from SEM's operations over time. The availability of financial capital enables us to execute our strategic pillar related to responsible capital allocation and management.

Shareholders

Business partners

Innovation, systems and governance

Our investments in research, development and technology enable us to upgrade and enhance business processes through artificial intelligence and robotics while ensuring an omni-channel experience for clients – giving them access through their preferred channel.

Feedback from clients and business partners, combined with client-centric thinking from our employees, results in new solutions and efficiency. This enables us to execute on our strategic pillar to extract value through innovation and improved efficiencies.

Our trusted brand attracts and retains clients, employees and business partners. Read more about our awards on page 6.

Mature and efficient operational, financial and risk management processes ensure that we can do large transactions, mitigate risks and maintain an ethical culture. Read more in the online Governance Report.

Clients

Government

Employees

Regulators

Business partners

People, networks, culture and relationships

20 881 employees and 7 830 advisers act as Sanlam Wealthsmiths™, who are characterised by:

- never giving up;
- being solid and sensible;
- doing things very, very well;
- doing it for good; and
- knowing the true definition of wealth.

We rely on them to execute our strategic pillar of profitable top-line growth through a culture of client-centricity. We ensure that they receive the appropriate leadership, skills development and remuneration in this regard. We invested R344 million in training and development to upskill our employees and ensure that we maintain the level of specialist skills (financial, actuarial, investment and risk management) required to remain competitive. 74% of employees received training this year of whom 75% in South Africa were black and 61% female.

We have relationships with brokers, banks and telecommunications companies throughout Africa through which we distribute to their client bases. We actively lead and participate in industry associations as platforms to collaborate and optimise the safety and efficiency of the financial system in conjunction with governments and our regulators. We strongly drive a compliance culture among our employees and business partners.

We retained a level 1 B-BBEE rating, which compares well with our peers.

Employees

Government

Business partners

Regulators

Society

4 Our business model outcomes per stakeholder group and key non-financial measures for success

The intended outcome of our business model is to create financially resilient and prosperous individuals, organisations and societies. We measure our performance through a number of indicators per material stakeholder group that reflects our contribution to their financial resilience and prosperity.

Clients

- Long-term financial security: people can retire with dignity and absorb the impact of unforeseen events
- Sanlam finalises claims fairly with proportionately fewer disputes awarded against Sanlam
- Clients make decisions based on sound advice that meet their needs
- R99 billion paid out to clients
- Policy benefits paid and increase in value of policies: R7 billion

Employees

- R13 billion paid in remuneration
- Number of employees increased by 1% to 20 787 (excluding advisers)
- Sanlam was certified as a Top Employer 2019
- Employees are part of a skilled and experienced workforce with appropriate incentives to drive high performance
- Employees have career mobility opportunities in a group with five clusters and a presence in 44 countries

Shareholders

- We outperform our RoGEV hurdle rate over the long term
- We continue to increase our dividend in real terms through a stable dividend policy
- Dividend payments of R7 billion

Business partners

- Fees generated through the distribution of Sanlam products and services
- New business opportunities through our partnership model in Africa
- Reliability of products, service and solutions that are supported by a Sanlam governance framework and risk management capability

Society

- Trust in the financial sector as ethical and fully functional
- R58 million invested in social projects to empower communities
- R92 million support by the Sanlam Foundation for the Blue Ladder schools programme to date. Read more on page 65.

Government

Regulators

- Execution on government's social agenda of job creation and empowerment
- R6 billion paid in taxes
- Participation in business and industry initiatives to stimulate economic growth and stability
- Compliance with all relevant regulations and standards
- Effective control and reporting through a combined assurance approach

The outcomes for the Group determine our competitive advantage:

- We have a first-mover advantage in the Rest of Africa and an unmatched Pan-African presence.
- We can offer multinationals a holistic financial services solution in Africa.
- Our omni-channel distribution approach creates seamless interaction and comprehensive support to enhance the personal intermediary model with a strong direct sales capability.
- Our large, stable South African base and mature book allow us to invest in other high-growth, but more volatile territories.
- Our employees are highly skilled, motivated and focused on delivery according to the four strategic pillars.
- We have a strong, stable capital position to support growth.

5 Understanding RoGEV – our key financial measure of success

Our primary performance target for measuring shareholder value creation is RoGEV, which reflects our success in growing the value of Sanlam's operations over the long term.

What is RoGEV?

RoGEV is a robust forward-looking financial performance indicator that primarily measures the value we add for our shareholders. Given the direct relationship over the long term between shareholder and other stakeholder value creation, RoGEV indirectly reflects how successfully we create value for our other material stakeholders.

For a business such as Sanlam, where earnings from a particular client solution emerge over a number of years, RoGEV is a more appropriate performance measure compared to traditional return on capital and earnings metrics. It combines current year earnings compared to expectations (short-term performance) and changes in future expected earnings (long-term performance) in a single performance metric. This makes RoGEV a robust composite value measure for a diversified group such as Sanlam.

Read more about RoGEV performance in the Financial review on page 72.

What is GEV?

How is GEV determined?

Group Equity Value (GEV) provides an indication of the value of Sanlam's operations and is therefore a forward-looking metric. It does not represent an appraisal value of the Group as it does not place a value on future new life insurance business. It includes:

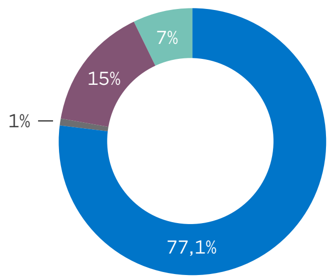
- the value of Sanlam's in-force book of life insurance business;
- the value of non-life operations based on longer-term assumptions; and
- the fair value of discretionary and other capital not allocated to our operations.

The shareholders' information section provides sensitivities for the most important valuation assumptions as well as a full analysis of change in GEV. The disclosures separately identify the change in value due to differences between actual earnings for a particular period under review and those assumed in the valuation models at the end of the previous period, as well as the change in value attributable to changes in assumed future earnings. These disclosures provide shareholders with an indication of the accuracy of the assumptions used in determining GEV over time as well as sufficient information to enable shareholders to adjust GEV should they wish to use different assumptions.

The following valuation methodologies are applied in determining GEV:

Sanlam's stake in Santam and Nucleus is valued at its listed market value. This represents the market's valuation of these businesses' future earnings (15% of GEV at 31 December 2019).

Discretionary and other capital not allocated to Group operations is valued at fair value (7% of GEV at 31 December 2019).



Some small and/or newly acquired companies are valued at net asset value (1% of GEV at 31 December 2019).

Most of the other non-life operations and the in-force book of life insurance business are valued at the discounted value of the future earnings that we expect to earn from these operations. Allowances are made for the cost of capital allocated to these businesses (77% of GEV at 31 December 2019).

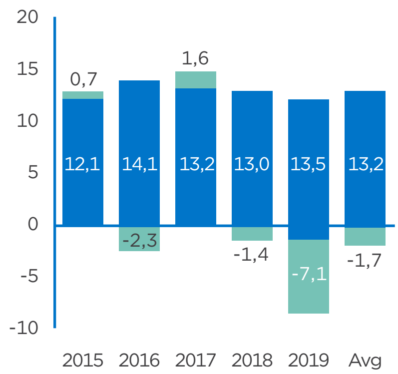
How is RoGEV determined?

RoGEV is equal to the change in GEV, after adding back dividends paid and movements in share capital, as a percentage of the total of GEV at the beginning of the period and the weighted value of movements in share capital during the period.

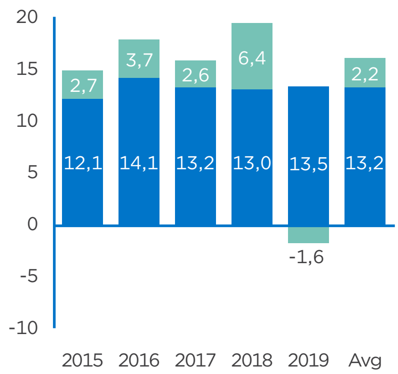
RoGEV is therefore a composite measure of growth in the value of Sanlam, with RoGEV for a particular period including both the variance between current year actual earnings and the earnings assumed in the valuation models at the end of the previous year, as well as the change in present value of future expected earnings.

Sanlam's RoGEV target is to outperform its cost of capital of i+4%, with i being the South African nine-year risk-free rate. We have outperformed this hurdle on a cumulative basis since listing in 1998.

Actual RoGEV (%)



Adjusted RoGEV (%)



Target   Out/(under)performance

What is Sanlam's RoGEV target?

Adjusted RoGEV per share excludes the impact of variances between actual and long term assumed investment return, interest rate changes and other one-off effects not under management control, and assumes normalised exchange rate movements. Adjusted RoGEV also includes the valuation of AfroCentric, CIH and the Indian businesses based on the internal models before application of the cap based on the listed share prices.

As GEV reflects the present value of future Group earnings, the key drivers of RoGEV are the same as those underlying the Group's main sources of earnings.

What drives future earnings and RoGEV?

Our main sources of earnings are the net operating profit we earn from our different lines of business (net result from financial services) and the net income we earn from investing discretionary capital and the capital allocated to our operations in the financial markets (net investment return on capital).

Net investment return on capital equals:

Investment income

plus

Realised and unrealised investment surpluses

minus

Tax on investment return

minus

Non-controlling interests

Net result from financial services equals:

Financial services income	Premiums earned in respect of risk cover provided under life insurance and general insurance solutions; margins earned from savings and retirement products where we provide guaranteed payments to clients; net interest and other margins earned from credit and structuring solutions; and fees charged for investment management, health, administration and other services.
minus	
Sales remuneration	Commission and other distribution costs paid to our distribution channels.
minus	
Underwriting policy benefits	All payments to clients in respect of risk cover provided under life insurance and general insurance solutions.
minus	
Administration costs	All variable and fixed costs incurred in managing the full life cycle of client solutions, excluding sales remuneration.
minus	
Tax on financial services income and non-controlling interests	A function of prevailing tax legislation and the interests held by minority shareholders respectively.

What are the key drivers of net investment return?

- Investment market returns;
- Investment performance relative to market returns;
- The strategic asset allocation contained in the investment management mandates; and
- The level of capital held.

RoGEV measured against a minimum performance hurdle is the primary quantitative performance benchmark in evaluating the success of our strategic execution.

What are the key drivers of net result from financial services?

Financial services income is driven by:

- the size of our client base, which depends on the level of new business written and the retention of existing clients;
- investment return earned on the underlying assets managed and administered for clients, which affects the size of the asset base on which we earn investment management and administration fees; and
- the level of fees and margins priced into our solutions.

The main drivers of sales remuneration are the level of new business written and the commission rates payable, which are regulated in most markets.

Net result from financial services income is also affected by:

- the level of claims experienced in respect of life insurance risk cover and general insurance solutions to protect clients from unforeseen events. Underwriting policy benefits are volatile in nature due to variances in the frequency and size of unforeseen events occurring; and
- the level of administration costs incurred in running our operating activities.

Strategic pillars to enhance RoGEV

To maximise RoGEV, we need to actively manage the drivers of earnings over the long term. This is achieved through a number of strategic pillars which are primarily aimed at optimising relative value creation between shareholders and other stakeholders.

- Profitable top-line growth through a culture of client-centricity
- Enhancing Sanlam's resilience and earnings growth through diversification
- Extracting value through innovation and improved efficiencies
- Responsible capital allocation and management

STRATEGIC FOCUS AREA	STRATEGIC PILLAR	MATERIAL STAKEHOLDER GROUP AFFECTED
How do we increase new business volumes?		
Focus on client-centricity to build trust in the Sanlam brand		Clients, Society
Drive structural changes to enhance agility and responsiveness to changing client needs		Clients, Employees
Product innovation to enhance competitiveness		Clients, Employees
Expand distribution in all regions in which we operate to facilitate improved access to our financial solutions		Clients, Business partners, Employees
Introduce new distribution channels		Business partners
Employ the best distribution talent available in the market		Employees
Continuous transformation to reflect the demographic profile of the markets where we operate	Transformation	Employees, Society
Sanlam brand associated with good corporate citizenship and sound governance	Transformation	Society
Participate in regulatory change to improve trust in the financial services industry	Transformation	Regulators, Government
Expand through acquisitions		Business partners

STRATEGIC FOCUS AREA	STRATEGIC PILLAR	MATERIAL STAKEHOLDER GROUP AFFECTED
How do we retain existing clients?		
Client-centricity – selling products and services that a client needs at an appropriate price		Clients
Remunerate distribution channels based on retention experience		Employees, Business partners
Continuously measure client engagement and satisfaction		Clients
Manage value outcomes of products and services in line with client expectations		Clients
Focus on quality of business – affordability and other measures are used as part of the sales process		Clients
Ensure product innovation to improve the value proposition of the client's product portfolio		Clients, Employees
Offer a superior client service experience by attracting, developing, motivating and retaining the best skills available in the market		Employees, Society
Continuous transformation to reflect the demographic profile of the markets where we operate	Transformation	Regulators, Government
Participate in regulatory change to improve trust in the financial services industry	Transformation	Regulators, Government

STRATEGIC FOCUS AREA	STRATEGIC PILLAR	MATERIAL STAKEHOLDER GROUP AFFECTED
How do we optimise the fees and margins we earn from products and services?		
Set appropriate pricing		Clients
Optimise the business mix		Clients, Business partners
Expand into under-penetrated regions that offer higher margins		Employees, Business partners
Optimise capital requirements through innovative product development and balance sheet management skills		Employees

STRATEGIC FOCUS AREA	STRATEGIC PILLAR	MATERIAL STAKEHOLDER GROUP AFFECTED
How do we manage the insurance claims experience?		
Ensure appropriate pricing of new business, taking cognisance of expected future claims experience		Clients
Limit exposure through product diversification		Employees
Use reinsurance to limit exposure		Business partners
Conduct regular claims experience analyses to identify trends		Employees
Appropriate risk management to prevent fraudulent claims		Employees

STRATEGIC FOCUS AREA	STRATEGIC PILLAR	MATERIAL STAKEHOLDER GROUP AFFECTED
How do we reduce administration costs?		
Continuous focus on improving cost efficiencies		Employees
Reducing the complexity of product features through product innovation		Clients
How do we improve investment performance?		
Maintain consistent superior investment performance through a robust and competitive investment process		Employees
Attracting, developing, motivating and retaining the best investment management skills available in the market		Employees
How do we manage the amount of capital held?		
Appropriate mix of business to optimise overall capital requirements through diversification		Employees
Appropriate product pricing to ensure hurdle rates are achieved on required capital		Clients
Product development and innovation to optimise capital efficiency of new business		Employees

Read more about our operational responses to the RoGEV drivers in the cluster reports from page 88.

OUR 2019 PERFORMANCE

OUR OPERATING ENVIRONMENT

Sanlam's performance is shaped by external and internal factors that span many geographies. These factors include economic and regulatory changes, combined with social dynamics. Sanlam's four strategic pillars focus the Group on achieving specific transformation outcomes while being responsive to our environment. This is possible with the support of a robust governance system that ensures that we act ethically and responsibly.

The global economy in 2019

Global real Gross Domestic Product (GDP) growth moderated in 2019. A number of factors contributed to the softening in economic activity, including increased uncertainty, due to looming events such as the exit of the United Kingdom (UK) from the European Union (Brexit), geo-political risks, including the trade dispute between the US and China, and the fading impact of US fiscal stimulus.

Increased trade protectionism proved especially damaging, dampening global trade and economic activity more generally in emerging market economies (EM). That said, EM benefited from easier global financial conditions as monetary policymakers in developed economies (DM) responded to the slowdown in growth.

After increasing the Federal Funds Target Rate by a cumulative 100 basis points (bp) in 2018, the US Federal Reserve cut its policy interest rate by a cumulative 75bp in 2019 to a level of 1,5% to 1,75% by year-end, while ending the reduction in its aggregate securities holdings in August 2019.

In Europe, the European Central Bank (ECB) Governing Council also maintained an accommodative monetary policy stance, reflected in its decision to cut the interest rate on its deposit facility by 10bp to -0,50% in September 2019, while restarting net purchases under its asset purchase programme (APP) at a pace of €20 billion per month, as from 1 November 2019.

In an uncertain global environment, the US dollar retained its relative strength throughout 2019. But, after losing ground through most of 2019 against the US dollar, pound sterling appreciated significantly in the fourth quarter of 2019, as negotiations between the UK and EU on Brexit 2019 yielded more productive results.

The risk surrounding Brexit lingered throughout in 2019 though – a development alluded to by the Bank of England's Monetary Policy Committee (MPC), which frequently noted uncertainty and downside growth risks could alter the expected path for its policy interest rate. Ultimately, the bank left its policy interest rate unchanged throughout the year.

The ongoing uncertainty related to Brexit clearly constrained fixed investment spending and the overall level of GDP growth in the UK, with the economy ending the year on an especially weak note. Growth may lift in 2020, though, given expected fiscal stimulus and some improvement in business confidence.

Encouragingly, from a global growth perspective, 2019 ended with hope that trade tensions had peaked. On 13 December 2019, the US and China announced phase 1 of a trade agreement, according to which 50% of US tariffs implemented in September 2019 are to be repealed, reducing the effective tariff on US imports from China; in addition to making apparent progress on lingering issues such as US agriculture exports, technology transfer and use of intellectual property. Despite the tariff concession, the effective increase in US tariffs since 2018 on imports from China is still high at 13%.

A notable feature of the current global business cycle is the absence of significant, sustained upward pressure on core inflation rates, despite the shift towards increased trade protectionism and significantly firmer wage growth in, for example, the US. While this continues, central banks are expected to maintain their accommodative monetary policy stances.

Although the global economic slowdown appeared to have bottomed in the fourth quarter of 2019, growth is not expected to accelerate strongly in 2020, unless global fixed investment spending lifts to buoy employment growth once again.

South Africa in 2019

The South African economy endured another disappointing year in 2019, partly reflecting significant electricity supply disruptions, which impacted production negatively in the first and fourth quarters of the year. Gross operating surplus growth remained soft, increasing just 4,3% (current prices) in the year to the third quarter of 2019. Fixed investment spending has been weak since 2016, given the profits downturn, low returns on investment and depressed business confidence levels. As a result, real GDP growth was barely positive at less than 0,5% in 2019.

Consumers remained constrained in the weak economic environment. By the third quarter of 2019, real personal disposable income growth had all but stalled, advancing 0,1% seasonally adjusted and annualised, reflecting a high unemployment rate of 29,1%, which is at its highest level since 2003, as well as soft total compensation growth of just 4,0% year-on-year (current prices).

Consistent downside surprises in inflation prints over the past year confirmed the South African Reserve Bank (SARB) is succeeding in its quest to lower inflation towards the mid-point of its inflation target range of 3% to 6%. Headline consumer price inflation advanced just 3,6% in the year to November 2019, while core inflation increased 3,9%. Although inflation should lift in 2020, it is expected to average only a little above the mid-point of the Reserve Bank's inflation target range. However, despite the benign inflation outlook, the SARB cut its repo rate only once in the year – by 25bp to 6,5% in July 2019.

South Africa's fiscal position deteriorated significantly in 2019, given the weakness in GDP growth and elevated government spending levels. The latter, in turn, reflects a high level of government consumption and large cash injections into Eskom, the ailing public sector energy corporation. As a result, a main budget deficit of more than 6% of GDP is expected for 2019/20, while the government's gross loan debt ratio is likely to exceed 60% of GDP at the end of March 2020.

In response to the deterioration in the government's financial position, Moody's Investors Service changed the outlook on South Africa's long-term sovereign debt rating, which is only one notch above investment grade, from stable to negative in early November 2019, highlighting the urgent need to return to a sustainable fiscal path and stabilise failing state-owned companies.

Following significant depreciation over the first three quarters of the year, the rand appreciated markedly as 2019 drew to a close, ending the year at US dollar/rand 13,98, firmer than its level of US dollar/rand 14,39 at end 2018. However, the potential for additional sovereign debt rating downgrades remains a risk to the currency in 2020.

Looking ahead, the improvement in South Africa's terms of trade in 2019 should, with a lag, benefit the economy. However, given the constraints weighing on activity, including persistent electricity supply cuts, real GDP growth of around 1% only is expected in 2020.

Despite the unfavourable economic backdrop, the JSE/FTSE All Share Index increased by 8,2% in the year to December 2019, recording a positive total return of 12% in local currency. This performance was driven by the mining sector. The JSE Africa Resources 10 index increased by 20,0% in 2019 and yielded a total return in domestic currency of 25,3%. Concomitantly, the FINDI 30 Index increased 5,6% in the year and yielded a total return of 8,8% in domestic currency.

Given the prevailing disinflationary environment and low real interest rates in risk-free markets, South Africa's 10-year bond yield declined through 2019, but remained elevated, given the country's deteriorating fiscal position. The All Bond Index yielded a total return of 10,3% in local currency in the year to end-December 2019.

Rest of Africa in 2019

Real GDP growth in sub-Saharan Africa (SSA) is expected to average 3,2% in 2019 – unchanged from 2018.

The marked divergence in economic growth rates between the buoyant non-resource economies and resource producers continued in 2019. Although oil prices have increased since their steep fall from late 2014 to early 2016, they were still significantly lower in 2019 than in 2014.

In Angola, where GDP probably contracted last year, a decline in oil production resulted in a substantial deterioration in the country's current account balance, since mineral fuels account for around 95% of total exports. Given the weak economic backdrop, the Banco Nacional de Angola (BNA) cut its policy interest rate, but was constrained to a cumulative decrease of 100bp as inflation remained elevated, despite a disinflationary trend.

Following the termination of the exchange rate peg in January 2018, Angola's policymakers allowed the exchange rate regime to shift towards greater flexibility and, ultimately, the BNA floated the kwanza in October 2019. In response, the currency plunged, before stabilising late in the year as the Bank left its policy interest rate unchanged. In addition, in recognition of Angola's economic reform efforts, which also included measures to improve public finances, the International Monetary Fund (IMF) approved the second disbursement of its US$247 million loan to Angola, under its extended fund facility, in early December 2019.

In Nigeria, economic activity was restricted by electricity supply disruptions and ongoing economic policy uncertainty. However, oil production increased through 2019 and the introduction of a minimum wage supported consumption, so that moderate economic growth of just over 2% is estimated for the year. Inflation eased, but given food price increases, it remained high and well above the central bank's inflation target range of 6% to 9%. This constrained the central bank to only one interest rate cut of 50bp early in 2019, leaving the monetary policy rate at 13,5% at year-end.

Despite a deteriorating current account balance and a sustained wide fiscal deficit, the Nigerian naira remained stable throughout the year, supported by central bank intervention. However, in the lacklustre economic environment Nigeria's equity market delivered a negative total return of 9,4% in US dollar in 2019.

In Zambia, real GDP growth slowed to an estimated 2% from around 4% in 2018, given weakness in mining output and drought conditions, which also impacted the country's hydro power facilities negatively. Despite the growth slowdown, however, the current account deficit widened. Meanwhile, the government budget deficit remained large (albeit smaller than in 2018), the country's debt ratio continued to climb and the level of foreign exchange reserves remained low. In addition, persistent weakness of the kwacha maintained upward pressure on inflation, which averaged close to double digits in 2019, prompting the central bank to increase its policy interest rate by a cumulative 175bp through the year.

In West Africa, Côte d'Ivoire is an example, although the economy is influenced by weather conditions, given its cocoa and cotton production. In 2019 a supportive private sector business environment underpinned investment spending and real GDP growth remained strong at an estimated 7%. The outlook for 2020 is equally robust. However, the equity index of the West Africa Stock Exchange (the BVRM Composite all listed company index) yielded a negative total return of -7,55% in US dollar.

East African economies have also recorded notable improvements in GDP per capita relative to the world's high-income economies since the early 2000s. In 2019, Kenya, Rwanda, Uganda and Tanzania once again recorded robust real GDP growth and the equity markets of Kenya and Tanzania yielded total returns in US dollar of 27,1% and 4,5% respectively in 2019. Rwanda's equity market, however, yielded a negative total return of -0,68% in US dollar over the year, partly reflecting moderate depreciation of the Rwandan franc. Similarly, Uganda's Local Share Index delivered a negative total return of -11,6% in US dollar in 2019.

In Kenya, specifically, where real GDP growth is estimated to average around 5,5% in 2019, benign inflation and supportive inflation expectations prompted the MPC of Kenya's central bank to cut its policy interest rate by 50bp in November 2019 – its only interest rate cut during the year. The country also repealed its restrictive interest rate cap law, which should, looking ahead, underpin credit extension.

In the Common Monetary Area (CMA) Namibia continued to wrestle with fiscal consolidation against the backdrop of a weak economy. Real GDP likely contracted in 2019 amidst disinflation, while growth prospects for 2020 are also constrained – although some support is expected from infrastructure spending and an increase in mining production, which weakened in 2019.

Namibia's fiscal adjustment programme yielded smaller twin deficits in recent years. However, both the fiscal and current account deficits widened once again in 2019. Additional fiscal consolidation is likely to be elusive in the year ahead, given soft domestic income growth, so that the government's debt ratio is likely to continue increasing.

Ultimately, given Namibia's lack of international competitiveness, the risk is that growth will not recover sufficiently in the absence of economic reforms, leaving the currency's peg to the South African rand vulnerable over time. Despite the unfavourable economic environment, Namibia's equity market yielded a positive total return of 7,7% in US dollar, partly reflecting the relative appreciation of the South African rand over the year.

While resource producers have underperformed, there are a number of fast-growing economies in Africa that have favourable demographics and improving trends in human capital development.

Elsewhere in Southern Africa, real GDP growth slowed in Botswana, due to the impact of drought conditions and weak mining output. Even so, the economy expanded by 3,1% in real terms in the year to the third quarter of 2019. The government's fiscal deficit remains moderate though, its debt level is low, and the current account is just about in balance. Botswana's stable macroeconomic picture is completed by sustained low inflation, which allowed the Bank of Botswana to ease its policy interest rate by 25bp in 2019. Looking ahead, food price increases could lift inflation to an extent in 2020, but the overall inflation outlook is relatively benign. The equity market recorded only a modest positive total return of 1,8% in US dollar in 2019.

Zimbabwe's economy remained under considerable pressure in 2019, having been negatively impacted by severe drought, which has been widespread across Southern Africa. The impact on crops such as maize will still be felt in 2020 and millions of Zimbabweans are expected to require food aid, while a poor tobacco harvest is expected to weigh on export earnings. In addition, fuel and energy shortages are constraining industrial activity, including mining production, which decreased by double digits in the year to the third quarter of 2019.

The Reserve Bank of Zimbabwe reintroduced the Zimbabwean dollar in 2019, but the currency has not inspired confidence in an economy mired in hyper-inflation. At the same time, foreign exchange shortages persist.

An IMF staff monitored programme was implemented in the second quarter of 2019. Critically, though, an IMF debt relief programme would require the clearance of arrears with international lenders. In the interim, Zimbabwe remains in debt distress. Absent access to foreign funding and meaningful economic reform the outlook for the economy is bleak.

Looking forward, aggregate real GDP growth in SSA in 2020 is expected to remain similar to the outcome for 2019. Further, inflation in the region is expected to remain elevated at around 10%, but this, in large part, reflects high inflation rates in the larger economies of Angola and Nigeria, as well as Zambia.

Since the global financial crisis the governments of SSA have increasingly relied on funding in foreign currencies, given low DM real interest rates.

In 2019, the shift towards easier global financial conditions were supportive of high-yield sovereigns. Although African Eurobond spreads were elevated relative to US treasuries last year, total returns on these bonds were in double-digit territory for a number of issuers, including, for example, Angola, Ghana, Kenya, Namibia, Nigeria and Rwanda.

That said, in a number of economies, debt dynamics have turned unfavourable and progress in fiscal consolidation stalled last year. Looking ahead, the pursuit of fiscal consolidation on the continent requires careful monitoring.

In North Africa, the shift towards a lower fiscal deficit faltered in Morocco in 2019, while the current account balance narrowed, but remained relatively wide, partly reflecting energy imports. Further, real GDP growth remained positive, but eased to below 3%, given moderate investment spending.

Inflation remained low in 2019 and the Bank Al-Maghrib left its policy interest rate unchanged at 2,25% through the year. At the same time, Morocco's foreign exchange reserves held up at around 6,5 months' imports. Meanwhile, the dirham ended the year just about unchanged against the US dollar, as Morocco maintained its currency peg against a basket consisting of the euro and US dollar. A more flexible exchange rate system is expected to be allowed over the medium term.

Morocco's long-term potential growth rate remains firm (although there is some concern over the ongoing pace of economic reforms) and macroeconomic management is sound, although supervision of state-owned companies should be improved. Moreover, transition to a more flexible exchange rate would assist the economy in absorbing external shocks.

Against a relatively stable background Morocco's equity market recorded a positive total return of 6,4% in US dollar in 2019.

India and Malaysia in 2019

Real GDP growth slowed in India in 2019, to a significant extent reflecting strains in the non-bank financial sector (given non-performing corporate loans) and lower income growth. State-owned banks experienced capital constraints and loan to deposit ratios were high amongst private banks, which dampened credit extension.

A slowdown in final demand growth included softer investment spending. In addition, exports were adversely impacted by slower global economic growth and the knock-on impact of increased trade protectionism. However, the overall balance of payments remained in reasonable shape as reflected in the country's elevated level of foreign exchange reserves.

After cutting its policy interest rate by a cumulative 75bp in 1H19, the Bank of India responded to the deterioration in the financial system by cutting its policy interest rate by 35bp in early August 2019 to 5,4%, and thereafter by another 25bp in October 2019. However, it remained on hold at its monetary policy meeting in December 2019, after the release of higher than expected inflation data (although core inflation remained contained). Concomitantly, the government injected capital into ailing public sector banks and implemented the Insolvency and Bankruptcy Code, while corporate tax rates were also cut. Corporate non-performing loans have seemingly topped out since, as corporations deleveraged, but risk has lingered.

Fiscal policy was also a focal point in India in 2019 as the level of general government debt remained high at close to 70%, reflecting a large public sector borrowing requirement.

Overall, real GDP growth for 2019 is estimated at 5,0%, slower than the growth rate in excess of 7% recorded in 2018. Despite this, the country's equity market yielded a positive total return in US dollar of 11,0% in 2019.

Looking ahead, easier monetary policy should underpin growth in 2020. Also, the government has cut corporate tax rates, which should support corporate balance sheets.

From a longer-term perspective, economic reforms, including steps to promote foreign direct investment, in addition to measures to broaden the tax base and consolidate fiscal policy are expected to bolster growth prospects.

In Malaysia, real GDP growth was firm in 2019, estimated at more than 4%, supported by domestic demand growth, amidst progress on economic reforms. Since manufacturing accounts for more than 20% of GDP, the country is vulnerable to increased trade protectionism, which accentuates the importance of the de-escalation in trade tensions between China and the US in late 2019.

Malaysia's inflation outlook remains benign. Monetary policymakers will, however, be cognisant of the high level of household debt, although the IMF noted late last year that the banks are well capitalised and asset quality is sound.

Given this relatively stable background, real GDP growth is expected to remain firm in 2020 at a similar level to 2019.

The Malaysian equity market achieved total returns of -1,8% in US dollar in 2019.

Regulation as an enabler of resilience

> Evolving regulation shapes the environment within which we operate and compete. It is also linked to our ability to contribute to resilience and create value for stakeholders.

Regulation that supports the fair treatment of clients, fair competition between product providers, financial stability and the prevention of large-scale corporate failures contributes significantly to the trust clients have in the industry. Markets that are well regulated build trust and earn legitimacy. This attracts local and international investors and results in increasing levels of available capital. These markets also contribute to economic efficiency, leading to better capital allocation and thereby increasing the prospects for long-term economic growth.

Since the aftermath of the global financial crisis in 2008/9, global regulatory reform has been focused on improving the resilience of financial institutions to regain investor confidence and prevent systemic market risk.

In South Africa, the regulatory agenda has been dominated by the Twin Peaks model, social security, the role of the state in the provision of financial services and financial inclusion. Intensifying risk related to financial crime, data privacy, cybersecurity and climate change further shapes the regulatory landscape.

Sanlam is committed to regulatory reform that contributes to stakeholder resilience and prosperity. We recognise that we operate in a highly regulated industry and share regulators' vision for efficient and effective financial services industries globally. We support regulators in developing tools and mechanisms that will ensure a more predictive response to the next potential crisis. We welcome the way in which this is evolving from being focused on client-centricity and capital and liquidity management, to also include increased sensitivity for the role of ethics, culture and related accountabilities.

We support the major regulatory developments currently being implemented and considered. However, a consequence of the increased regulatory burden is significantly higher barriers of entry. While this benefits large and established groups such as Sanlam, we believe the industry benefits from strong competition. The current scale of regulatory reform also demands responsible, skilful and well-considered responses. This can affect management capacity, adding to real and opportunity cost in business. Read more about the ways in which the Group approaches and mitigates these risks in the section on Understanding our key strategic risks.

The financial services industry is built on a business model that requires long-term valuations and assumptions. The uncertainty created by numerous and unco-ordinated regulatory proposals therefore impacts strategic decisions, investment choices, innovation and product design. We have a further concern that the number of concurrent initiatives create complexity and interdependencies that might result in unintended consequences not yet fully anticipated or mitigated.

The Financial Sector Regulation Act (FSRA) became effective on 1 April 2018, thereby establishing the Twin Peak regulatory and supervisory model. This model of financial regulation aims to strengthen our financial markets through improved conduct regulation and by building a more resilient and stable financial system in South Africa.

Twin Peaks established

Two new regulators were established with a comprehensive set of powers that enhance accountability:

The Financial Sector Conduct Authority (FSCA)

The FSCA replaced the Financial Services Board (FSB) and is responsible for supervising the conduct of business of all financial institutions, and the integrity of the financial markets.

The Prudential Authority (PA)

The PA was established in the South African Reserve Bank. It maintains and enhances the safety and soundness of financial institutions that provide financial products. It is mainly concerned with capital and liquidity requirements as defined by a risk-based regulatory regime for long and short-term insurers in South Africa and implemented through the Solvency Assessment and Management (SAM) project. It awards licences based on conditions that include promoting developmental, financial inclusion and transformation objectives.

Outcome: clarity on who regulates what

2019 was characterised by high levels of engagement between Sanlam and the new regulators, particularly the PA, as these familiarised themselves with the players in the financial services sector. In response to shorter reporting timelines and more frequent requests for information, management took steps during the year to further streamline the Group's reporting processes.

Phase 1

Primary legislation revises, consolidates and harmonises the legal framework for prudential and market conduct in the financial sector.

The Conduct of Financial Institutions (CoFI) Bill

The CoFI Bill will, when adopted, replace existing sectoral legislation to ensure a comprehensive, consistent and complete approach to governing the conduct of financial institutions across the financial sector.

The Insurance Act

The Insurance Act came into effect on 1 July 2018 and provides a consolidated legal framework for the prudential supervision of the insurance sector. The PA will convert the registration of all insurers to new licences within a period of two years that ends on 30 June 2020.

Outcome: clarity on how they regulate

The PA formally designated Sanlam as an insurance group and Sanlam Limited as the controlling company of the insurance group in January 2020. The scope of the Sanlam Limited Insurance Group was agreed with the PA and Sanlam Limited submitted an application to be licensed as a controlling company in February 2020.

Phase 2

Subordinate legislation includes standards to be published under the CoFI Bill and Insurance Act to give effect to the detail requirements.

Conduct Standards to be issued under the CoFI Bill

The conduct of business reforms include the Retail Distribution Review (RDR), Treating Customers Fairly (TCF) and Retirement Reform matters. These will be addressed in the conduct standards but are currently reflected in changes to existing legislation.

Prudential Standards under the Insurance Act

The Prudential Standards covering Financial Soundness Standards (FS) and Governance and Operational Standards (GO) were published on 1 July 2018.

Outcome: clarity on what they regulate

2019 saw the publication of multiple draft conduct standards that will potentially impact the Pension Funds Act (PFA), the FSRA and the minimum skills and training requirements for trustees of retirement funds.

The Risk and Compliance committee advises and assists the Board in overseeing governance of compliance by setting the direction for how compliance should be approached and addressed in Sanlam. The Sanlam Group Compliance Policy requires all business cluster boards, management and employees to comply with applicable laws as well as non-binding rules, codes and standards to which Sanlam committed in all the jurisdictions in which Sanlam operates. Read more in the online Governance Report and in the sustainability portal of the Sanlam investor relations website.

South African regulatory developments impacting the financial sector but not material for Sanlam:

- A status update on the RDR proposal on TT: Special remuneration dispensation for the low-income market and the application of uncapped commission for micro-insurance and funeral businesses only
- Financial Intelligence Centre Amendment Act, 2017, which delegates the supervision of insurers' compliance to the PA
- A FSCA position paper about proposals on the future regulatory framework for the collection of insurance premiums
- Pension Funds Act, 1956: Pension funds adjudicators jurisdiction; draft conduct standards for living annuities and criteria for smooth bonus policies in default investment portfolios; PFA Guidance Note 8/2018 on the application of the Default Regulations; Information Circular 1 of 2019 detailing cancellation of registration and reinstatement of deregistered fund
- Taxation Laws Amendment Act, 2018 and subsequent Draft Taxation Laws Amendment Bill, 2019
- A consultation paper by the PA and FSCA on the draft joint standard detailing fit and proper person requirements for significant owners of financial institutions
- Joint consultation by the Financial Intelligence Centre and South African Reserve Bank on the processing of electronic funds transfers in accordance with recommendation 16 of the Financial Action Task Force

Draft Conduct of Financial Institutions Bill, 2019: The impact and consequences of the CoFI Bill on Sanlam will only be known once finalised. However, as a member of ASISA, significant for Sanlam is the stated objective of the CoFI Bill to repeal the Collective Investment Schemes Act (CISCA) 45 of 2002 in its entirety. ASISA undertook a comprehensive analysis that compares the existing CISCA provisions with those of the CoFI Bill to highlight possible gaps. This analysis was submitted to National Treasury, which originally indicated its intent to finalise the parliamentary process in respect of the CoFI Bill before the end of 2019. It is unlikely that the CoFI Bill will be enacted before the second half of 2020.

Financial Sector Regulation Act: In July 2019 the FSCA published a statement in support of the draft conduct standard on the requirements for the conduct of cell captive insurance business in relation to third-party risks. The statement explains the need for and expected impact and intended operation of the draft conduct standard, which will potentially impact all Sanlam businesses where cell captives are used.

In August 2019, the FSCA issued FSRA Conduct Standard 1 of 2019, which sets out the process and requirements for transfers between a registered retirement fund and any other fund or person in terms of section 14 of the PFA. The conduct standard is likely to impact turnaround times for section 14 transfers due to more onerous processes that will need to be followed.

Section 219 of the FSRA established the Financial Services Tribunal (FST) to reconsider certain decisions such as those made by a financial sector regulator or an authorised financial services provider, among others. In August 2019, the FST issued and published rules relating to the process and procedure governing applications for the reconsideration of decisions. All entities regulated by the FSRA that submit a decision for reconsideration to the FST will need to comply with these rules.

Draft conduct standard prescribing the minimum skills and training requirements for retirement fund trustees: The draft conduct standard was published in May 2019 and proposes that trustees should attain certification via the Trustee Toolkit. This is an online facility provided by the FSCA that sets out the required levels of skills and training to be maintained by trustees. All current and prospective trustees of South African retirement funds administered by Sanlam entities (including retirement funds for the benefit of employees of Sanlam businesses) will need to complete the training.

National Credit Amendment Act, no 7 of 2019: Generally referred to as the Debt Relief Bill, the National Credit Amendment Act sets the groundwork for over-indebted consumers to have payments suspended (in part or full) for as long as 24 months or entirely if their financial position is found to have worsened. Sanlam entities providing loans that are subject to this Act will need to ensure that systems and processes are in place to enable them to comply with and run the debt intervention process in parallel to the debt review process.

Other South African regulatory developments relevant to the industry

Competition Amendment Act (CAA): The CAA was signed into law in February 2019. The CAA aims to remedy structural defects in South Africa's economy by amending the Competition Act, 1998. The CAA grants competition authorities new powers to address concerns about high levels of economic concentration and lack of transformation in various markets. This includes tougher penalties and fines. In particular, the CAA aims to aid economic inclusiveness and participation by small, medium and micro-sized enterprises and businesses owned or controlled by historically disadvantaged individuals. The Group Compliance Office is providing guidance to the Sanlam Group to ensure that the business understands the potential impact of the CAA. This includes providing training to the executive and senior management teams as well as all other relevant stakeholders.

Protection of Personal Information Act (POPIA): In December 2018, the final regulations related to the Act were published. These regulations were primarily administrative and did not provide clarity on the requirements related to the Act. The regulator is in place and is empowered to investigate complaints and the measures organisations have put in place to protect and secure personal information. We are still awaiting the announcement of the effective date for the regulations and the Act.

Supervision of financial conglomerates

Sanlam may be regarded as a financial conglomerate: an institution in South Africa that operates across multiple industries, offering a myriad of financial products and services across the continent and offshore. The FSRA recognises that entities such as Sanlam are susceptible to contagion risk and are subject to higher levels of scrutiny through a new regulatory framework to be released. The FSRA provides for the application of a multi-tiered supervisory framework which includes the supervision of individual stand-alone institutions, specialist group institutions and conglomerate groups which will focus on depositor, policyholder and member protection. Risks will be managed carefully due to the broad scope of the environment in which the financial conglomerates operate. A number of Sanlam volunteers represent ASISA on the financial conglomerate supervision project structures.

Preparing for IFRS 17

The International Accounting Standards Board (IASB) published IFRS 17 in May 2018. It is designed to achieve consistent, principle-based accounting for insurance contracts. The new standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts.

Sanlam launched an IFRS 17 project in preparation for implementation by 1 January 2022. The gap analysis phase is complete, as well as the development of IFRS 17 compliant disclosures and an overall blueprint for Sanlam that will guide implementation efforts across the Group. Sanlam and Santam are co-ordinating closely on the implementation of IFRS 17 and participating via ASISA to influence industry interpretation of the standard. The most significant internal risks relating to IFRS 17 implementation is the availability and capacity of Sanlam resources given concurrent transformational projects.

SEM regulatory developments

- Botswana passed the amendments to its anti-money laundering (AML)/combating the financing of terrorism (CFT) regime, aligning it to international standards. The Insurance Industry Act and Draft Regulations commenced in May 2019. The Act aims to provide for all the provisions of the insurance industry under one Act, establish more comprehensive rules for the insurance industry, and improve policyholder protection.
- Kenya issued draft Guideline on Good Governance Practices in the Management of Retirement Benefits Scheme, which will affect how these schemes are governed. The Kenyan Treasury Cabinet Secretary further established a taskforce on National Risk Assessment on Money Laundering and Terrorism Financing. The report of the taskforce is expected by March 2020. The Kenyan Insurance Amendment Act, 2018, introduced a strict "Cash & Carry" requirement for insurance going forward.
- Rwanda issued two new regulations pertaining to company form and corporate governance respectively. Subsidiaries will have one year to comply with the revised company forms.
- The Ugandan Insurance Regulatory Authority issued guidance on the payment of premiums, prescribed a grace period for the collection of currently outstanding premiums, prescribed the premium warranties wording for instalment insurance contracts and notified industry of the implementation of a monthly cash and carry premium instalment reporting requirement.
- Changes in the South African environment based on the Twin Peaks model may have implications for SEM over time.

Compliance breaches

Sanlam experienced no notable compliance breaches during the year.

CHAIR'S REPORT

Sanlam's Chair, Johan van Zyl, shares his views on the highlights and challenges of the past year and summarises the main focus areas for the Board.

Sanlam generated 67% of its net result from financial services from South Africa in 2019 – this still represents the major portion despite diversification across Africa over the past decade. Comment on the trading environment and how this impacted Sanlam.

In South Africa, consumers remained under pressure and continued to become increasingly conservative with their money. At its core, Sanlam is an asset-gatherer that helps clients save for the future. With investment returns under pressure, the resilience of our stakeholders and consequently also that of our business is challenged. In addition, heightened economic policy uncertainty and difficulties in the operations of state-owned enterprises persisted as major obstacles to economic growth. Economic conditions in the other emerging markets where Sanlam operates were better, but also subject to volatility. The operating environment is elaborated on in some detail from page 37. In summary, we faced a difficult 12 months and it took concerted effort from Sanlam to safeguard our clients' financial well-being.

What do you believe enabled Sanlam to perform well on a relative basis?

As a Board, we hold the executive and management teams accountable for Sanlam's performance. This means ensuring that objectives to deliver on the Group's vision and strategic intent translate into execution. I believe the business clusters, supported by our distribution partners, did exceptionally well to find new and innovative ways to extract value from Sanlam's operations. Testimony to this is the fact that Sanlam achieved double-digit growth in new business volumes in a difficult environment.

We continue to see the benefits of diversification, which has strengthened our overall position and made us even more competitive. This strategy worked well for us over the past 12 months.

Our partnership approach further differentiates us from our peers in strategic execution. In South Africa, our Capitec Bank relationship far exceeded our expectations, with AfroCentric, Easy Equities and others also continuing to deliver value. The Group's recently announced ventures with African Rainbow Life and MTN should create opportunities to gain market share in the competitive entry-level and middle-income market segments. Outside of South Africa, we continue to work with relevant and trusted partners on the ground, as we are not the experts in those regions. These partnerships are critical as we look to explore opportunities and cement our unique footprint across Africa.

Importantly, we have consistently demonstrated our ability to identify partnership opportunities that not only prove beneficial for the Group, but also for our partners and clients. SPF's funeral life arrangement with Capitec Bank is a good example of this. The distribution partnership has delivered remarkable results over the past year and supports Sanlam's diversification strategy, thereby enhancing the Group's resilience and earnings growth. This is founded on a partnership that enabled Capitec Bank to deliver exceptional value to their clients by adding a flexible and affordable insurance offering to its growing range of financial services, thereby enabling more clients to benefit from access to world-class financial solutions.

This is particularly important for us at Sanlam. We believe that to drive sustained economic growth in South Africa, we must facilitate access to the economic ecosystem through new products and services. This reflects our purpose – to build an environment that supports people in living their best possible lives through financial resilience and prosperity.

Sanlam acquired the remaining stake in Saham in October 2018. What steps were taken during the year to embed this acquisition and ensure that the Group is properly positioned to extract value going forward?

The Saham transaction is a strategic play that the Board and executive team worked on for several years. With the transaction now complete, the focus has shifted to integration and extracting synergies to ensure we meet the required returns on investment. Progress on extracting synergies has been slower than anticipated. However, we believe that we are taking the right steps to create a platform that can be leveraged long into the future.

This includes ensuring that we have the best people in the right jobs to become a truly Pan-African business. The Board supported several leadership changes within the Sanlam Emerging Markets (SEM) executive management team: Financial Director, Heinie Werth, took over as Chief Executive (CE) of SEM, with Junior Ngulube moving into the role of Sanlam Pan-Africa Vice-chair. As Junior approaches retirement, these changes support succession planning within this key cluster.

Beyond this, the combined presence and complementary efforts of Heinie and Junior will be a key operational strength, particularly in terms of stakeholder engagement. Our presence in Africa, through SEM, now extends to 33 countries. Managing the geographic spread, size and complexity of SEM is a challenge that we need to get right. This is particularly important as Saham looks to us for leadership, capital and risk management support. The SEM leadership therefore has to offer the right combination of skills and experience to execute our Pan-Africa and emerging markets strategy while developing strong and rewarding in-country partnerships.

This goes hand in hand with SEM's focus on upskilling and investing in local talent and enterprises and the countries we operate in as well as in Africa as a whole. Clearly, the focus initially must be on the more important countries and making sure we get things right there, before turning to the smaller entities.

To this end, the Board remains fully supportive of Sanlam's vision to become a truly Pan-African business. Short-term challenges such as wide oscillations in commodity-driven currencies, and social and political unrest, continue to persist in many jurisdictions. However, the unrivalled ingenuity and long-term growth potential of Africa and the other emerging markets we operate in, remain intact.

As a 101-year old business, how does Sanlam ensure it remains ahead of digital disruption?

With almost day-to-day disruption to businesses brought on by technology, Sanlam needs to evolve to keep up with changing times. Digital tools and solutions have fundamentally altered our clients' expectations – they require more information from us more quickly, demand transparency and want attractive and personalised products, services and advice. The Group-wide business intelligence and omni-channel co-ordination projects guide our approach to digital and technological transformation, and there are various examples within this Integrated Report that illustrate how these projects are helping us respond to clients and remain competitive. This includes making innovative alternative offerings such as MiWayLife, Sanlam Indie and BrightRock available to the market.

As we embrace digital opportunities, the Board continues to ensure increased vigilance around cyber-risk. We are particularly mindful of Sanlam's need to be agile and innovative, while monitoring the impact of digital and technological transformation on culture and risk management. During 2019, we conducted a review of how information technology is managed and governed in the Group. While no significant changes were required, we took this as an opportunity to re-emphasise roles and responsibilities and ensure a good understanding of these.

Investors, shareholders and other stakeholders are growing increasingly aware of the impact of climate change on businesses and society – accompanied by a strong call for action. How is Sanlam responding to environmental concerns and what role do you envision Sanlam playing in the future?

We witnessed significant and disruptive climate change events in the past year. These included Cyclone Idai, the wildfires in California and Australia, as well as several devastating weather-related catastrophes in South Africa. At Sanlam, the risks to our business and investments associated with these events are becoming tangible.

At Board level, we recognise the need to stay informed about, and test the Group's ability to respond to, climate change risks. Accordingly, climate-related issues are discussed at Group-level committee meetings and by climate-related management functions. Progress and feedback are then scheduled as agenda items at Board meetings.

Beyond Board oversight, severe weather/climate change has been recognised as one of the top 10 strategic Group risks for the past two years. The business is also undertaking a series of initiatives, such as the development of a Group climate position statement, to assess and articulate climate-related risks to Sanlam's owned assets. This includes investments in stocks, bonds and shares.

Sanlam has further demonstrated its committed to investing in long-term sustainable businesses, for example through the Climate Investor One Development and Construction Equity Funds. These funds finance renewable energy and public infrastructure projects in the green economy. Given the significant infrastructure investment needs across emerging economies, we believe these projects can have a long and lasting impact on vulnerable communities and play a vital role in enhancing resilience.

Within our own operations, we are committed to using natural resources and energy more efficiently to reduce emissions and waste. We have set specific targets to improve our environmental performance. This includes reducing electricity and paper usage, increasing water conservation and managing our waste stream responsibly.

I am particularly proud of our 14-year partnership with WWF-SA, the world's largest and most experienced independent conservation organisation. The partnership was initiated in 2006 to enable Sanlam to play a positive and leading role in safeguarding South Africa's water sources. With the ongoing severe droughts experienced across the country, this remains a significant and growing sustainability issue that will increasingly impact socio-economic development and the poorest sectors of our society over the next 20 years. Our partnership with WWF-SA creates opportunities for us to provide financial support to a body of experts with the knowledge and international reach to make a difference in addressing water-related challenges sustainably and responsibly.

Another leading example of how Sanlam is developing its long-term business strategy based on climate-related issues includes Santam's Partnerships for Risk and Resilience (P4RR) programme Through P4RR we strengthen the capacity of local municipalities to manage incidents such as fire and flooding. We do this through risk-reducing interventions that benefit vulnerable communities. At the same time, these efforts mitigate the potential impact on Santam in terms of climate-related perils. The P4RR programme has supported 46 municipalities and is on track to support 53 municipalities by 2020.

As a business, we cannot distance ourselves from the real and acute environmental issues facing society today. I believe our efforts to respond to environmental concerns reflect Sanlam's commitment to tangible systemic change that stands to benefit present and future generations.

? Comment on other aspects of governance at Sanlam that required the Board's leadership and guidance during the year.

One of the key areas requiring our attention in 2019 was the various leadership changes that occurred at Board and executive level.

In 2018, we communicated our intent to appoint new independent non-executive directors to the Board. The aim was to strengthen skills and diversity as well as address concerns among certain shareholders that board membership was not suitably independent. In 2019 the Board oversaw the appointments of Andrew Birrell, Elias Masilela and Kobus Möller as independent non-executive directors and Jeanett Modise as an executive director to the boards of Sanlam Limited and Sanlam Life Insurance Limited.

These changes come at a time when Sanlam is embarking on a new phase of Pan-African growth – requiring renewed energy and a fresh mix of knowledge and skills. I am certain that our new Board members possess the requisite skills, experience and credentials to complement and add value to Sanlam and support the Group's growth ambitions.

Within the executive team, Sydney Mbhele joined Sanlam in the position of CE: Brand and Jeanett Modise took up the position of CE: Human Resources. Thinus Alsworth-Elvey was originally appointed as CE: Special Projects, but was subsequently announced as CE of Sanlam Corporate in July 2019, allowing acting CE Temba Mvusi to again focus mainly on his executive responsibilities as CE: Market Development.

These appointments bring increased diversity to the Group and affirm our commitment to transformation at a business and executive level. They are also testimony to our ability to attract the top talent required for us to execute our strategy and meet the demands of the market opportunities and new initiatives the business is gearing up for across Africa.

To accommodate the leadership changes in the SEM executive team, Wikus Olivier was appointed to act in the position of interim Chief Financial Officer. The Board also spent time preparing for new appointments to the Chair and Group Chief Executive positions, which will occur in 2020. As communicated to the market, I will step down as Chair at the upcoming AGM but will remain on the Board as a non-executive director. As his contract comes to an end in 2020, Ian Kirk will step down as Group Chief Executive. Succession plans are in place to ensure a smooth transition and the retention of key competencies within the business. We anticipate that we will be able to announce the Group's new Chief Executive, Financial Director and Chair during the course of the second quarter of 2020.

On an industry level, we continue to actively participate in the development of the financial services industry in the markets where we operate. Nationally, we continue to play an active role in shaping the environment in which businesses operate, whether individually or through associations. We are active members of Business Leadership South Africa and ASISA where we play a leading role in driving solutions that will help create financial resilience and prosperity for all South Africans.

Who would you like to thank when reflecting on the past year?

This is my last report as Chair of Sanlam. Looking back on my 20-year journey with the Group, one of the highlights has been the high-quality people and the teams that I have worked with. Together we have transformed Sanlam from a South African-based, mainly life insurance, business two decades ago to Africa's largest non-banking financial services group. Within a local context, I am also immensely proud of Sanlam's transformation and empowerment journey through which the Group has evolved into one that is now trusted by millions of diverse South African and other emerging market clients. I will remain on the Board as a non-executive director and look forward to making a meaningful contribution in this role.

Overall, we continue to deliver on the things we set out to do – despite the growing complexity of the Group and the tough environment we find ourselves in. These achievements are the result of hard work and thanks must go to the executive and management teams for the many instances of leadership and support that they provided during a challenging and exciting year.

A special word of thanks to my fellow Board members who provided invaluable experience, commitment and guidance in helping steer Sanlam for the benefit of all stakeholders. Also to Ian Kirk, who has played a vital role over the last five years to accelerate Sanlam's growth into a global, diversified financial services group. I am confident that his leadership qualities and dedication to support the Group's continued growth and transformation will yield positive results for Sanlam in the upcoming year.

Last, but not least, I extend my thanks to our clients, Sanlam's employees and intermediaries, as well as our shareholders and other stakeholders for their support in 2019. Thank you for choosing Sanlam as your wealth creation, management and protection partner.

What are your expectations for 2020?

We anticipate that we are in for another tough year characterised by low economic growth, muted investment and equity markets, and global volatility. However, I believe that we are set to navigate these challenges from a position of strength.

Each year, we deliver stable and robust dividend growth combined with accelerated future growth prospects. This includes driving towards a leadership position and strengthening our market share in South Africa in areas where we lag compared to our peers. Diversification into higher-growth regions across the continent further enhances future earnings growth potential.

Leadership changes will bring in new blood and fresh ways of doing things within expanded networks of opportunity. Saying that, our people understand the strategy and what they need to do to stay ahead of our competitors. This will remain firmly in focus in 2020.

Sanlam's profile and future prospects are different today than they were just a few years ago. However, the fundamentals that have made Sanlam successful remain in place. I am confident that the Group is well-positioned for its new phase of growth and empowerment which will bring increased resilience and prosperity into the lives of our stakeholders.

GROUP CHIEF EXECUTIVE'S STRATEGIC REVIEW

Highlights	Challenges
Progress on strategic initiatives: • Integration of Saham largely complete; traction in realising synergies. • 5% B-BBEE share issuance completed, strengthening Sanlam's capital base and simultaneously providing Sanlam with leading empowerment credentials in support of future growth. • Significant value derived through our partnership with Capitec – with more than 1,4 million funeral business policies sold since launch (1,1 million up to 31 December 2019). • African Rainbow Life, a greenfields black-owned insurance company, launched as complementary distribution channel in SA entry-level market.	Weak South African economy and low levels of investor confidence impacted negatively on new business growth.
Investment in digital and technological transformation is ongoing and supports client-centric growth.	Pressure on general insurance claims experience in key African markets, the collapse of the Angolan currency and instability in Lebanon detracted from SEM results.
Quality of earnings remains solid: continuation of positive experience variances and strong cash flow generation.	
Growing shareholder value through 7,1% dividend growth (3% real).	

2019 overview

Looking back on the past year we can again be proud of the Group's accomplishments amid major political and economic headwinds, particularly in South Africa. Our performance is testimony to Sanlam's resilience and the quality and scale of our business. Also central to our success is the calibre and commitment of our employees and their ability to execute and deliver value for our stakeholders.

The South African economy faced a difficult year and a much slower recovery process than predicted following the election of President Cyril Ramaphosa. Coupled with a volatile investment market, higher unemployment and low growth in household disposable income, market conditions severely limited new business growth potential. The weak economy also necessitated increased provisioning in respect of certain corporate credit exposures.

Beyond South Africa conditions also remained volatile, aggravated by Brexit and tensions in the trade war between the United States and China. However, we continue to see promising new business growth potential in key markets such as India, Morocco, Côte d'Ivoire, Nigeria, Namibia and Botswana.

Despite the tough environment we delivered solid financial results in relative terms, supported by strategic initiatives that enhanced our market share and business performance. We attribute our performance to the Group's sustained focus on executing our strategy diligently while striving to make a meaningful difference in the societies in which we operate. In doing so, we fulfil our purpose of building a world that supports people in living their best possible lives through financial resilience and prosperity. This will enable us to remain relevant and competitive, and achieve our performance objectives over the medium and long term. This despite challenging conditions expected in some of our key markets over the short term.

In pursuit of our vision to be a leading Pan-African player, we continued to invest in all the countries where we operate to assist clients with the challenges they are facing. This includes developing appropriately priced solutions and distribution channels that meet clients' needs for certainty, security and protection. We also undertook various initiatives in South Africa during the year to close the gap in health and employee benefits, the entry-level life market and in third-party asset management – thereby ensuring we are better positioned to lead in client-centric wealth creation and protection in the country.

We recognise that government cannot address South Africa's governance, operational and financial challenges alone; active support from business, labour and civil society is required to ensure that we work together to achieve the common purpose of putting South Africa back on track. Sanlam continued to play its role, primarily through the industry associations and business organisations in which we participate. Our strong B-BBEE credentials further ensure that we are able to implement meaningful empowerment partnerships that will continue to support social and economic transformation in South Africa.

We are focused on extracting the promised synergies from the Saham acquisition and delivering on the business case. We can be proud that as a Group we comprise more than 200 businesses in 44 countries worldwide – testimony to our commitment through the years to strengthen our legacy and create a leading Pan-African business.

Progress towards our vision

Lead in client-centric wealth creation, management and protection in South Africa

Where we have a leading position

Sanlam is one of the largest non-banking financial services groups in South Africa. Our aim is to occupy the top position in terms of profitable market share in all segments in which we compete. We defend our leading position by being client-centric and continually innovating to deliver solutions that meet our clients' and potential clients' need for wealth creation, stability and protection in an unpredictable environment.

We have a strong market presence in South Africa and are diversifying and expanding our distribution network through enhanced omni-channel capabilities and partnerships such as Capitec and MTN, and our new worksite model initiative through African Rainbow Life. The use of digital technology and data analytics enables us to implement agile and responsive solutions and sound advice that support client acquisition, engagement and retention.

We have leading positions in general insurance, and the middle-income, mass affluent and high net worth life insurance and investments segments.

- We are a leader in risk products and retirement annuities in the middle income market. Innovative alternative offerings that include MiWayLife, Sanlam Indie and BrightRock help us retain our market position and gain market share, as well as offset low growth and competitive dynamics in the traditional risk market.
- Glacier, SPF's wealth and investment unit, is one of South Africa's leading investment platforms in the mass affluent market with a leading intermediated model. Glacier Invest is currently the largest discretionary fund manager in South Africa based on assets under management.
- SIG has a leading position in private wealth management in South Africa. It pioneered index-tracking investment capabilities with Satrix – the largest and market-leading equity index-tracking provider in South Africa. SIG's Implemented Consulting is also a market-leading solution widely used by financial planners and consultants.
- Santam is the leading general insurance group in South Africa, with a market share of more than 23%. All of the Santam Specialist business units are market leaders in their insurance classes in South Africa. This includes Santam Marine, Santam Transport, Santam Agriculture and Corporate property, engineering and liability. Santam was recognised as the top short-term insurer in the business category of the 2019 Sunday Times Top Brands survey.

Our level 1 B-BBEE status positions us as a leading empowered business within our peer group and bodes well for market share gains in South Africa, with strategic partnerships being a key growth driver.

Where we lag in terms of our vision

We continue to make solid progress in the health, employee benefits, third-party asset management and entry-level markets and have plans in place to achieve a leading position in these segments.

Entry-level market	We have a strong number two position in the entry-level market in South Africa but are driving towards a leadership position through strong diversification of our distribution channels. We continue to see solid organic growth in the Sanlam Sky traditional intermediated channels, with accelerated market share gains being achieved through our partnership with Capitec. The newly established African Rainbow Life work-site based model is also expected to contribute to an enhanced market share in the entry-level market. The joint venture with MTN will enable SPF to make funeral cover and Sanlam Indie's range of life insurance products available to MTN customers in South Africa who prefer to transact digitally. We are confident that the building blocks are now in place to enable us to compete effectively in this market segment.

Third-party asset management	We made good progress during the year to build scale in third-party asset management. We saw a positive turnaround in the Glacier solution range offered by SIG. This is an important distribution channel for the cluster as it looks to focus its position as a third-party asset manager. The Alternatives business attracted noteworthy new business inflows. This is encouraging as this asset class provides an opportunity to produce enhanced real returns for clients and gain market share. The Alternatives business enables SIG to use clients' demand for higher yields to make impact investments that contribute to measurable positive social, economic and environmental impact alongside financial returns. Worth noting is our involvement in a global climate fund, Climate Investor One, which was launched as a partnership between the Netherlands Development Finance Company (FMO) and Sanlam InfraWorks in 2017. Climate Investor One has mobilised commercial funds to reach $US850 million and is invested in the development of a number of projects, with two having received construction financing: Cleantech Solar, currently a 116MW Pan-Asian corporate and industrial rooftop solar platform; and Africa Hydro Holdings, a 42MW run-of-river hydro platform in Uganda. Good progress was made in introducing African Rainbow Capital Financial Services (ARCFS) as an empowerment shareholder in SIG's third-party asset manager. We anticipate to make an announcement in this regard in the near future. The transaction will result in SIG's third-party asset manager becoming black owned. Strong ownership credentials and broad asset class expertise (traditional, alternative and global) should see the business uniquely positioned within the market and well placed to attract increased institutional asset flows going forward.

Employee benefits	To grow our presence in the South African employee benefits market we are focusing on restructuring the underlying SEB businesses and bringing them closer together from a previously relatively federated model. This includes moving from single product lines to a holistic offering as well as generating a better understanding of clients' needs and building better client journeys. Sanlam's leading B-BBEE credentials will create further momentum for our employee benefits offerings in the local corporate market.

Health	
	Our stake in AfroCentric Health Limited (AfroCentric), South Africa's largest health administration and medical risk management solutions provider, remains key to the success of SC's overall health strategy. Beyond member administration, AfroCentric concluded various bolt-on acquisitions that expanded its presence in the broader healthcare industry and diversified its product and service offerings. AfroCentric is also well positioned to facilitate the delivery of quality healthcare through several public-private partnerships. We believe this will be a strong competitive advantage considering government's move toward universal healthcare and the implementation of a National Healthcare Insurance (NHI) scheme. To help us close the gap on being the number one player in this market segment, SC is focused on identifying opportunities to integrate healthcare and financial services to grow membership over time. SC will also look to increase its level of engagement with the South African public healthcare sector.

Strategic pillars that support execution to address these gaps

- Profitable top-line growth through a culture of client-centricity
- Enhancing Sanlam's resilience and earnings growth through diversification
- Extracting value through innovation and improved efficiencies
- Responsible capital allocation and management

Progress towards our vision

Be a leading Pan-African financial services group with a presence in India, Malaysia and Lebanon

We have a leading position in Africa

Following the Saham acquisition, Sanlam is now positioned as the largest Pan-African non-banking financial services provider on the continent. Sanlam is among the top three market leaders in 5 African countries for life insurance and 6 African countries for general insurance.

To achieve our vision of being a leading Pan-African financial services group, we have set ourselves a target to be in the first, second or third position in all the significant markets on the continent. To achieve this requires prioritisation, as we do not have the capacity to drive this simultaneously in all markets. During the year we identified the key markets to focus on first.

Being a leader in Pan-African financial solutions relies on our ability to utilise SEM's large network of countries and businesses to facilitate cross-selling and offer a one-stop service to multinational companies, brokers and insurers. In particular, strategic alliances with bancassurance partners and telecommunication companies provide strong distribution channels across the continent.

We have over 30 in-country bancassurance partners on the African continent. We have secured strategic alliances with People's Insurance Company of China and Sompo Holdings of Japan – both of which have significant multinational client bases across the African continent. Sanlam's footprint across the African continent is of value to bank and other partners.

Sanlam has a meaningful presence in India through its 26% share in Shriram Capital Limited (SCL). On a consolidated basis, SCL has an overall client base of 12 million, 84 000 employees across 3 950 offices, and assets under management of around US$22 billion. We have direct stakes of 23% in Shriram Life Insurance (SLI) and Shriram General Insurance (SGI), with the remaining interest in these businesses held by SCL. Despite a slowdown in economic growth in 2019, the Indian businesses continue to perform well and we believe that the long-term potential of this region remains intact.

Sanlam entered the Malaysian market in 2013 by acquiring a 49% stake in the general insurer Pacific & Orient Insurance Company Berhad. At the end of June 2014, Sanlam entered the life insurance sector by acquiring a 51% interest in MCIS Insurance Berhad. The Malaysian economy remains strong and on track to achieve good growth going forward. Improved insurance penetration and initiatives to increase foreign direct investment provide the Group with new business growth opportunities.

LIA Insurance in Lebanon is a Saham subsidiary. Following the acquisition of Saham in 2018, LIA Insurance became part of the Group's operations in other emerging markets outside Africa. Pressure on the Lebanese economy and the general operating environment intensified during the year following social unrest and political uncertainty. As this region is strategically important, we are collaborating with the business and providing the support it needs to achieve success in this market.

Where we lag in terms of our vision

In addition to extracting and delivering on the synergies embedded in the Saham acquisition, we need to build scale to consolidate and protect our leadership position in Africa and, in particular, those areas where individual businesses are not meeting their RoGEV hurdle rates. Importantly, we need to develop the leading life and general insurance businesses on the ground, in each key country across the continent.

Our focus is to pursue accelerated organic growth through superior execution, by extending our product and service offerings and by leveraging our strategic alliances where opportunities arise. Where we lag, we continue to explore industry consolidation, increased shareholding and strategic partnerships or acquisitions of companies that can bolster our market share where it makes sense.

SEM was divided into Sanlam Pan-Africa (SPA) and Sanlam Middle East and Asia (SMEA), with the latter comprising India, Malaysia and Lebanon. This will assist the cluster with managing the complexities of the African business and its widespread operating base. Importantly, it enables SEM to optimise capital allocation and enhance operational efficiency to address the areas where we lag. Other countries in Africa will be evaluated in terms of their long-term relevance and potential value-add to the Group. This includes Egypt and Ethiopia, where we have partner arrangements.

Strategic pillars that support execution to address these gaps

- Profitable top-line growth through a culture of client-centricity
- Extracting value through innovation and improved efficiencies
- Responsible capital allocation and management

Progress towards our vision

Play a niche role in aspects of asset and wealth management in specific development markets

We have a niche position

We are seeing improved internal flows in the UK due to management's ongoing efforts to restructure and streamline this business, bolstered by some acquisitions concluded during the year and further capacity building. Most notably, the Thesis Group was acquired in the second half of the year and will augment the scale of the Group's private wealth, advice and asset management operations in the UK. The asset management businesses are doing well. However, the wealth and advice units are not delivering the returns that we expect, with 2019 being particularly disappointing from a profitability perspective. The restructuring in 2019 and the implementation of a new administration platform should position these businesses for improved performance.

We have a competitive and award-winning set of products for our clients in this market. Specific focus will be placed on developing appropriate products to capitalise on the opportunities of our African client base.

Where we lag in terms of our vision

To be profitable as a niche business, the UK operations require scale and the capability to attract assets and skills. We continue to explore opportunities in this regard.

Strategic pillars that support execution to address these gaps

- Profitable top-line growth through a culture of client-centricity
- Responsible capital allocation and management

Progress against the four strategic pillars

The Group's strategic intent of creating sustainable value for all key stakeholders remains firmly in place, pursued through a strategy focused on four pillars. Detailed information about each strategic pillar is provided in the section on page 121.

We continue to execute on all our strategic pillars, underpinned by our federal operating model and diversified profile that support a dual focus on growing our existing operations while concluding transactions to drive future growth. The cluster reports from page 88 explain how each cluster supports and implements the four pillars according to specific focus areas. Progress was impacted by external and internal factors in our economic and regulatory environment. These factors are set out in more detail in the sections from pages 37 and 130.

We have identified various sustainability "hot topics" that are important to our long-term resilience and that support diligent strategy execution and our transformation priority. These are referenced in the following pages with more detail available on the Sanlam Sustainability Portal: *www.sanlam.com/investorrelations/sustainability/*

Our remuneration approach further incentivises behaviour that supports target-driven strategy execution. Short-term and long-term strategic objectives are measured and rewarded within a framework that promotes fair, responsible and transparent remuneration. This mitigates excessive risk-taking and balances longer-term strategic objectives with short-term operational performance. Read more in the online Remuneration Report.

Executive committee members have key performance indicators that correlate directly to the four strategic pillars. These indicators are tracked according to appropriate growth measures (read more in the remuneration section on page 153). Executive committee members also have employment equity targets where relevant and are expected to drive inclusivity and a "One Sanlam" culture.

Profitable top-line growth through a culture of client-centricity

We deliver top-line growth through writing profitable new business and by retaining our existing clients through an ongoing focus on client-centricity.

New business volumes increased by 12%. The 15% rise in the net value of new covered business benefited from strong new business growth at Sanlam Sky in SPF and SC.

SPF — Sanlam Personal Finance

SPF achieved overall new business sales growth of 1%, a major improvement since the end of the first half of 2019. Performance was underpinned by solid contributions from Sanlam Sky, MiWayLife, Sanlam Indie and BrightRock. The funeral life arrangement with Capitec continued to exceed expectations – contributing some R1,1 billion in new business volumes. ARL began conducting business in the second half of 2019 and provides further reach into the entry-level market.

SEM — Sanlam Emerging Markets

SEM performed well on a relative basis, with life and general insurance new business sales exceeding overall expectations. Most markets delivered noteworthy performances. The exceptions were those markets impacted by weak currencies and/or pressure on economic growth (Angola, Lebanon and Zimbabwe) and Sanlam Kenya in East Africa that performed below expectations. SEM remains focused on implementing mitigating actions to address the operational challenges.

SIG — Sanlam Investment Group

SIG almost tripled its net fund inflows from R7,2 billion in 2018 to R21,2 billion in 2019. This is a commendable achievement in the current environment, supported by good traction in the South African third-party asset management business across traditional institutional, retail and alternative asset classes.

SNT Santam

Santam grew its gross written premium for conventional business by 7%. This is a good result considering the competitive market and stagnant economic environment in South Africa.

SC Sanlam Corporate

SC continued to execute on its strategies to gain market share in South Africa at an appropriate margin, growing its new business volumes by 14% and VNB by an exceptional 22%. The umbrella fund and non-life investment lines of business contributed strongly to this growth.

Our predominantly intermediated distribution model creates growth opportunities for our many advisers, consultants and other distribution partners. In particular, our new business performance in 2019 created significant value of R11 billion in sales remuneration to these stakeholders (excluding amounts paid by associated companies). This is an increase of 34% compared to 2018 (including Saham's structural contribution). The total number of advisers and supporting brokers in SPF increased to 7 880 and 8 263 (including BrightRock) respectively, which provided income opportunities for an additional 878 individuals and brokerages compared to the end of 2018.

Our diligent focus on client-centricity supports top-line growth and we continuously make adjustments for shifting client expectations. We do this by creating seamless client experiences supported by an omni-channel presence, lower costs, tailored financial product and service offerings and appropriate advice.

We measure client-centricity inter alia through the success of the Sanlam Reality loyalty programme. Sanlam Reality is the second biggest loyalty programme in the health and insurance sector, with over 1,3 million members. To enhance its client value proposition and reward members for living financially responsible lives, Sanlam Reality launched the Sanlam Money Saver credit card as well as a new loyalty solution called Reality Access. Through Reality Access, members are provided with a range of value-added services as well as with information, articles, calculators and tools to empower them to make the most of their money.

Our commitment to client service is further evident from the reports of South Africa's industry ombudsman. Sanlam's proportion of total claims awarded in favour of clients is much lower than our relative market share.

Sanlam's client-centricity is also evident in the number of claims and benefits paid to support client resilience and prosperity. Santam and Sanlam Pan Africa General Insurance paid general insurance claims of R15 billion and R8 billion respectively. Sanlam paid a total of R208 billion in the form of life insurance and investment fund benefits.

We continue to support our more than 280 Sanlam BlueStar practices in South Africa by assisting them to achieve higher levels of positive client experience. We are particularly proud of our initiatives that enhance client experience through the provision of an online distribution capability. Recent examples include Sanlam's Secure Services portal, Sanlam Now and Glacier Invest for intermediaries. This allows practices to adapt to the changing client needs for omni-channel delivery. It also positions Sanlam well for the new regulatory environment to be rolled out as part of the RDR.

Sustainability "hot topics" that enhance our resilience and support strategic execution of this pillar

Keeping ethics top of mind

Sanlam is committed to influencing the Group's operating environment favourably. We are driven by a desire for ethical leadership and responsible practices. This ensures that when we pursue profitable growth we do so with the highest levels of integrity. This promise underpins our core values as well as our professional and ethical behaviour.

Board composition and independence

To ensure the Board can objectively and effectively discharge its governance role and responsibilities, we need an appropriate balance of knowledge, skills, experience, diversity and independence in our governance structures. To improve diversity and independence in its composition, the Board undertook various actions in 2019. These included adding new independent non-executive directors to the Board, providing more information on the independence tests applied by the Board to each non-executive Board member, as well as making provision for shareholders to vote annually on the continued Board membership of all independent non-executive directors who have been on the Board for more than nine years, as well as in the case where a non-independent director is the Board Chair.

Enhancing Sanlam's resilience and earnings growth through diversification

Diversifying our business profile and growing the relative contribution and balance of the various countries across our footprint provides more stability for the Group and helps us manage volatility that can emanate from the countries in which we operate.

The acquisition of the remaining stake in Saham significantly enhanced the Group's footprint and earnings diversification across Africa from a geographic and line of business perspective. The benefits of this diversification were reinforced during 2019 as the markets in which we operate experienced different levels of challenge and performance.

Extracting the synergies embedded in the Saham acquisition remains key to achieve the SEM cluster hurdle rate. Progress was slower than anticipated as the focus was first on integrating the various businesses and ensuring that all human resources and governance processes are aligned with those of the Group. Satisfactory progress was made in respect of capital optimisation and rolling out the Target Operating Model. This includes identifying our 10 priority markets and good progress in confirming optimal strategic asset allocation and identifying potential areas of excess capital that can be extracted.

Changes to the SEM executive management team are part of succession planning and support our resolve to execute our Pan-Africa and emerging markets strategy for the success of the broader Group.

We also diversified our distribution channels in the South African entry-level market through the launch of ARL in conjunction with our empowerment partner, Ubuntu-Botho Investments (UB). UB will play a key role in growing ARL through its contribution to the business's empowerment credentials and relationships in ARL's target market.

Our diversification initiatives included a strong emphasis on omni-channel initiatives as a way to reach, attract, retain and service clients while empowering intermediaries. At the same time, we recognise that our physical branch infrastructure remains critical for financial inclusion and growth, particularly in the entry-level market in South Africa.

Through SIG, we are broadening and extending our investment horizons guided by our responsible investment policy. For example, Climate Investor One, which was launched in partnership between FMO and Sanlam InfraWorks in 2017, has a mandate to invest in clean energy projects in emerging markets.

This gives our clients the opportunity to invest in a fund that positively impacts the environment, while benefiting from the unique profile of an asset class that delivers long-term assets to meet their long-term cash-flow needs. Read more about the Climate Investor One fund in the SIG cluster report on page 107.

Sustainability "hot topics" that enhance our resilience and support strategic execution of this pillar

Protecting all forms of human rights

We believe that business can only flourish in societies where human rights are protected and respected. We adhere to the International Bill of Human Rights and are committed to respecting all internationally recognised human rights as are relevant to our operations. We understand that not every country within which we have businesses adheres to the International Bill of Rights in all respects. In these countries, while we will always respect the rule of law, we will also, insofar as we are able, participate constructively in industry and other forums which seek to increase alignment to the International Bill of Human Rights.

Our response to climate change

We identified severe weather/climate change as one of the top 10 strategic Group risks in 2018 and 2019. We are undertaking a series of initiatives, such as the development of a Group climate position statement, to assess and articulate climate-related risks to Sanlam's owned assets, such as investments in stocks, bonds and shares. We are a member of ClimateWise, an international grouping of insurance companies, looking at how to effectively manage climate change, and have been a member of CDP (previously the Carbon Disclosure Project) since 2007.

Sanlam invests responsibly

SIG acts as asset manager for the Sanlam Group, including Santam. SIG believes that companies that manage their environmental, social and governance (ESG) issues well will outperform their peers. Accordingly, we embed sustainability into our core investment process in order to better understand the potential for companies to deliver their cash flows into the future. Read more about how we invest responsibly in the SIG cluster report from page 106.

Extracting value through innovation and improved efficiencies

To attract and retain clients we focus on innovation and enhancing and adapting our financial solutions along the full extent of the wealth creation, management and protection value chain. Delivering operational efficiencies enhances our ability to more effectively service clients' changing needs and manage costs.

Advanced analytics and digital transformation are receiving heightened emphasis from all clusters in the Group to drive innovation and client experience along the full client journey; focusing on product design, distribution and back office efficiencies but founded on changing client engagement needs. For example, Sanlam Indie is our digital insurer that bases product innovation on client experience. The product is therefore built to be digitally flexible and is co-developed in partnership with clients to ensure a meaningful value proposition.

In addition to innovation in business processes and products, we work with advisers and consultants to use technology to adapt their client approach and engagements. We explain more about how we support our intermediaries through digital innovation in the SPF cluster report from page 88.

Operational efficiency is a focus area across all our operations, particularly during low market growth cycles. Cost efficiencies were prioritised in the context of subdued economic growth in South Africa and all clusters implemented savings initiatives to partly offset market conditions and increasing regulatory compliance costs.

Embedding new investments and acquisitions to exploit synergies and create efficiency also remains a key focus area. Within SPF, MyWayLife made a meaningful contribution to VNB and BrightRock continues to scale up and grow. Indie sales escalated strongly following its rebrand to Sanlam Indie. The distribution and digital capabilities in these businesses help ensure Sanlam is well-placed to secure and establish affinity distribution partnerships with strong external brands. This includes the partnership with Capitec in the funeral insurance market, which continues to outperform expectations, as well as the recent joint venture with MTN that was announced in July 2019.

Our business intelligence (BI) project aims to extract value through big data and data analytics and contributes to innovation and operational efficiency. The current focus is on using BI to improve underwriting accuracy, to have better and more targeted engagements with clients and to consolidate our data management. The latter is important to prepare for the extensive data requirements of the International Financial Reporting Standard (IFRS) for insurance accounting (IFRS 17).

Sustainability "hot topic" that enhances our resilience and supports strategic execution of this pillar

Creating cyber-resilience

Individuals, business and society require a functioning, stable and secure financial system that they can trust. Cybercrime and security risks threaten the system and are becoming more sophisticated and targeted. We create cyber-resilience by developing, implementing and continuously refining a robust information governance framework. Preventative measures are determined by a range of IT policies. We are also finalising a policy on the quality of data in Sanlam and giving recognition to data and information as an asset. This will address the risk related to a significant amount of structured and unstructured data in multiple locations due to Sanlam's size and geographic footprint.

Responsible capital allocation and management

Enhanced capital efficiency ensures appropriate levels of capital allocation to our business and redeployment of discretionary capital for investment in future growth opportunities.

We approach capital allocation responsibly, as Sanlam's long-term sustainability depends on having a resilient balance sheet that can both support our growth initiatives and withstand adverse conditions. This is a safeguard to our clients, employees, suppliers and broader society, and has built stakeholder trust in Sanlam for more than 100 years. Prudence is therefore inherent in the Sanlam culture and capital allocation methodology.

Capital management is controlled centrally from the Group Office, which means businesses must compete for capital. We allocate capital to those areas where we expect a higher return within acceptable risk estimates. To enhance RoGEV, Group businesses are allocated an optimal level of capital and are measured against appropriate return hurdles.

We continuously investigate opportunities to optimise the capital base as the Group and the operating environment develop. This includes more sophisticated balance sheet management, changes to strategic asset allocation, and the most appropriate capital structure.

A package of B-BBEE transactions was approved by Sanlam shareholders in December 2018. As announced in March 2019, Sanlam's capital position was enhanced through the 5% share issuance to the new B-BBEE entity. In addition to the capital benefits, Sanlam is now positioned as the foremost empowered insurance and investment management group in South Africa, with direct black shareholding of 19%.

The first drawdowns against the R2 billion funding facility to UB occurred in 2019. Some R300 million of the facility was utilised by UB to increase its stake in Alexander Forbes. A further drawdown of some R58 million was utilised to fund UB's participation in the capitalisation of ARL.

In the short to medium term, utilisation of capital remains clearly defined. Our primary goal is to find investment opportunities in existing operations and/or new businesses that will complement the strategy and yield returns in excess of the Group's return hurdle.

Sustainability "hot topics" that enhance our resilience and support strategic execution of this pillar

Combating financial crime

We have a zero tolerance approach to unlawful conduct and financial crime. Financial crime is any activity, conduct, suspected activity or suspected conduct related to financial services or the financial services industry. Our financial crime combating policy and anti-money laundering and the countering of the financing of terrorism policy provide frameworks for the combating of financial crime.

Our approach to tax in multiple territories

Sanlam's aim is to manage the Group's tax affairs conservatively and responsibly and in line with our strategy and all aspects of good corporate governance, financial risk management and transparent reporting. We are committed to a principle-based tax approach that should be sustainable in the long term. As we have extended our footprint in emerging markets over recent years, we acknowledge that – with a rapidly changing global tax environment – we are obliged to continuously monitor and review tax governance practices in the geographical areas where we operate.

Our transformation priority

Continuous transformation is central to our ability to adapt to a changing world and underpins all of the strategic pillars.

We define transformation broadly to include economic transformation to reduce wealth inequality, transforming our employees to reflect the demographic profile of our client base and societies where we operate, transforming our distribution channels and operations in line with technological and regulatory developments and, most importantly, in line with the changing needs and preferences of our clients. While transformation therefore takes on different forms in the Group, we currently focus on two main areas.

Digital and technological transformation

The ongoing technological revolution is altering the way people live, work and relate, and the threat of disruption through a Fourth Industrial Revolution will affect our current and future clients, employees, partners and other stakeholders.

Digital and technological transformation is therefore critical to transform our business for client-centric growth. Underpinned by our BI project, digital transformation at Sanlam relates to the applications, infrastructure, tools and best practice that enable access to and analysis of information to improve and optimise decisions and performance.

We continue to drive the following:

- adding depth to client profiles, interactions and operations by integrating external data, for example from advisers and intermediaries;
- tapping into behaviour patterns, trends and sentiments to drive better client experience, such as through Sanlam Reality and Sanlam Indie;
- making use of predictive analytics to foster more effective cross-selling and upselling opportunities, reduce lapses and increase retention;
- using advanced analytics to spot fraudulent behaviours, forecast outcomes and guide actions;
- visualising data to enable better management reporting;
- optimising legacy systems, products and operations; and
- addressing the internal consequences of and opportunities created by digitisation on our workforce.

Clients increasingly demand solutions that are simple, fast and effortless, yet personalised. Intermediaries should therefore be comfortable with serving clients through both physical and digital interactions. We also want to ensure that Sanlam consultants are equipped to operate in a digitally-enabled era in which they can connect via mass personalisation to many more brokers via mobile phone and or other technology platforms.

At SPF, digital innovation is increasingly focused on how the cluster can innovate and leverage technology to better equip intermediaries, enhance client interaction and facilitate ease of doing business to ensure a seamless, agile and responsive client experience. Initiatives undertaken by the cluster include:

- innovative acquisitions, such as BrightRock;
- using Plug and Play to create proofs of concept that use digital technology to enhance the delivery of intermediary value-adds; and
- product innovation through products offered by Sanlam Indie, GoCover and MiWayLife.

These are unpacked in more detail in the SPF cluster report on page 92.

Digital and technological transformation *(continued)*

Our Group-wide BI project assists with product development, underwriting, client service and cost efficiencies through big data and enhanced data analytics, and its success depends on our ability to develop new skills, capabilities and a transformed culture. However, like most financial services groups, Sanlam is faced with a shortage of IT skills. As part of the BI project, we therefore launched the Sanlam Data Academy (SDA) to train young graduates and current employees in data-processing and interpretation skills. The skills they acquire will enable Sanlam to work smarter with data and become an insight-driven group that can base strategic business decisions on accurate and complete data. Read more about the SDA on the Sanlam Sustainability Portal: *www.sanlam.com/investorrelations/sustainability/*

By growing our own IT talent pool we can fill gaps and create new career opportunities.

We are also investigating opportunities to enhance operational efficiencies through robotics and, in 2019, various clusters began implementing robotics into various business processes with plans to expand this going forward. Read more about robotics in the SPF cluster report on page 93.

New requirements, such as client-centricity, digital developments, regulatory changes and security concerns are also driving the case for expanding Sanlam's IT capability. Due to digital technology advances, there is an increased focus on big data and cybersecurity threats, which create new challenges and opportunities for businesses. We have identified disruptive threats and the Fourth Industrial Revolution as one of our strategic risks. We also recognise cyber-risk, which includes the various risks related to digitised information, the supporting IT infrastructure and increasing digitisation of all channels. Read more about how we are mitigating our strategic risks and leveraging opportunities from page 133. Our focus on cyber-resilience supports digital and technological transformation at Sanlam.

An IT Steering committee with cluster and Group representation was established under the Group Executive committee to drive our IT governance model, which is based on a Group-wide technology strategy. Our Group Technology and Information (GTI) function improves our digital technology capability, enterprise architecture, and technology and information governance across the Group.

Our Group technology strategy subscribes to the "One Sanlam" principle: to drive overall strategic business co-ordination, opportunities and potential synergies between businesses – within clusters and business units – and minimise any wasteful overlaps. It targets greater levels of collaboration across the Sanlam Group.

People transformation

We have a diverse range of businesses and interests across the continent and within countries with different levels of political, economic and social risk. Considering our increasingly diverse profile, workplace transformation in terms of diversity and inclusion is critical for the Group.

We are driving transformation, diversity and empowerment

This includes a focus on accelerating gender diversity and advancing women at Sanlam while driving fair and equitable remuneration practices. We comply with South Africa's Equal Pay for Work of Equal Value legislation by conducting detailed analysis and monitoring adherence at cluster level. Within our UK operations, we began measuring the Group gender pay gap in line with new disclosure requirements.

This year, SIG's line managers attended diversity and inclusion workshops facilitated by an external partner. "Power Hours" were also implemented for all employees to address various diversity and inclusion dimensions. Within SPF, initiatives to enable a friendly and inclusive environment are ongoing. These include diversity training, cross cultural conversations and emotional intelligence workshops predominantly focusing on line managers.

We also want to create opportunities for disabled people's skill sets to contribute to our Group and industry. Our learnership programme is a deliberate drive for Sanlam to be inclusive and to increase the number of people with disabilities in the business. Disability awareness is built into the learnership programme.

In South Africa the focus on diversity in terms of race is largely guided by B-BBEE legislation that aims to address the racial and economic discrimination of the past. Within this context, Sanlam is committed to creating sustained economic growth through financial inclusion, participation and increased consumption, which in turn nurtures conditions for companies and communities to do well.

More detail about our efforts to drive transformation, diversity and empowerment is available on the Sanlam Sustainability Portal: *www.sanlam.com/investorrelations/sustainability/*

We are doing more to support our employees

Our employees are one of our key stakeholder groups as we are reliant on specialised skills to execute our strategy. At Sanlam our approach to employees is the same as our approach to clients: we want to enable them to live their best possible lives. We recognise that our employees are in different life stages and that we employ a multi-generational workforce in different business units and geographies.

Our employee experience is shaped by:

- A compelling and differentiated employee value proposition, which is agile and fit for purpose, built on core values and supportive of a high-performance and values-driven culture
- A dedicated focus on diversity and inclusion
- An environment where technology, analytics and digital advancement are prioritised
- Opportunities for growth, development and mobility across the Group, with most of our employee activities driving the attraction, motivation and retention of key talent in leadership and specialist roles
- A dedicated focus on promoting a healthy work-life balance and creating opportunities to increase our employees' financial literacy, reduce their financial stress and enhance their productivity

Ensuring that our employees are healthy and safe at Sanlam is one of our sustainability "hot topics". More detail is available on the Sanlam Sustainability Portal: *www.sanlam.com/investorrelations/sustainability/*

People transformation *(continued)*

The Sanlam Group's digital platform initiative, myWorkSpace, enables the management of all people-related matters in one place. In its current form, myWorkSpace is a business transformation programme that simplifies, standardises and automates our talent management processes across the Group. It enables improved decision-making on talent through relevant data and analytics while building improved engagement and Group identity and by supporting talent mobility.

More detail about our employee value proposition and the key activities related to our employees is available on the Sanlam Sustainability Portal: *www.sanlam.com/investorrelations/sustainability/*

We are making a leading contribution to B-BBEE

In South Africa, our transformation imperative relates to B-BBEE and our role in supporting economic growth in the country. We are working hard to meet the targets set out in the 2017 Financial Sector Code and support the principles enshrined in the Financial Sector Charter aimed at creating a B-BBEE model by:

- Creating opportunities for previously disadvantaged employees and graduates through accelerated skills development and employment opportunities
- Procuring goods and services from black-owned enterprises while working with them to develop these enterprises
- Investing in communities, in black entrepreneurs and in projects that support infrastructure development, low-cost housing and agriculture
- Ensuring that equity stakes are made available to black communities and financing those

We have made significant progress over the last 10 years to transform in South Africa through the Group's partnership with UB, numerous empowerment deals, Sanlam Sky Solutions – which is focused on creating access to financial services at the lower income end of the market – and the initiatives run by the Sanlam Foundation. In March 2019, we also achieved a level 1 B-BBEE status.

We continue to advance employment equity, with 75% of our South African employees being from designated groups. Transformation of the demographic profile of Sanlam at top, senior and middle-management levels in South Africa, however, remains a challenge. We continue to actively drive and measure progress in terms of employment equity in every cluster, with incentives linked to transformation targets.

Maintaining a focus on B-BBEE is one of our sustainability "hot topics". More detail about our contribution to B-BBEE is available on the Sanlam Sustainability Portal: www.sanlam.com/investorrelations/sustainability/

Partnering with stakeholders

We believe that developing and maintaining healthy relationships with our stakeholders results in increased trust. It is therefore important that we identify and build stakeholder relationships that increase confidence across the Group and minimise uncertainty as well as ensure that we deal with challenges before they become problems.

A new stakeholder management policy, which is based on a set of key principles, was approved by the Board during the year. Our objective was to ensure that stakeholder management is treated as one of the tight principles as defined by the Sanlam Group Business Philosophy.

To be sustainable, we have a responsibility to assist government and ensure South Africa's success. Like Sanlam, government is also a commercial operation with which we can partner to invest and create value. This year, Sanlam deployed R7,1 billion in capital to support expanded transformational infrastructure in South Africa. This includes targeted investments in affordable housing and agricultural development.

We work closely with industry associations such as ASISA and Business Leadership South Africa (BLSA) and have regular engagement with the presidency and national treasury. We are also positive about our engagement with the new South African regulators and are encouraged by the fact that major pieces of legislation are now gaining traction.

Outside of South Africa, we follow a similar approach with active participation in industry representative groups and regular engagement with the local regulators. In many of these markets we play a critical role in developing the insurance market to increase insurance penetration to the benefit of the underinsured society.

Within SEM, there was specific focus from management to build and maintain relationships at a Group and country level. A formalised SEM stakeholder management strategy and stakeholder management plan ensures regular and proactive engagement with the various primary stakeholders of the SEM group office. The strategy and plan define the primary and secondary responsibilities for each of the stakeholders listed in the cluster's stakeholder management matrix.

We remain committed to supporting small and medium enterprises (SMEs) as the true catalysts to achieving economic growth and development. We believe in nurturing the entrepreneurial talents of individuals by creating and maintaining a network of competent suppliers to drive transformation within our supply chain.

The Sanlam Foundation remains our primary corporate social responsibility vehicle and provides a co-ordinated approach to community investment across the Group. The Sanlam Blue Ladder Schools programme continues as our flagship socio-economic development initiative. Through this programme, Sanlam partners with schools, educators and communities across South Africa to improve maths tuition, nutrition and upgrade key facilities. A new partnership with the Click Foundation will expand the reach of the programme to include Mpumalanga and the Eastern Cape. In the next year we plan to launch the Sanlam employee volunteerism platform and the SPA corporate social investment (CSI) projects. In 2019, the Sanlam Foundation supported SPA's CSI initiatives in Mozambique and Zambia.

Outlook for 2020

We expect the economic and operating environment to remain subdued in a number of our largest markets in the short term, as highlighted from page 69. Investment market volatility will likely continue as Brexit unfolds and the phase 2 trade deal between the United States and China is negotiated. The outbreak of the corona-virus is another threat to global growth that emerged in 2020. New business growth potential will therefore remain under pressure.

Within South Africa, new business performance is largely dependent on developments in the political and economic environment. Importantly, favourable change in corporate investment confidence and foreign direct investment flows, key drivers of economic activity and employment, depend on confidence in the future policy direction of the South African government and realistic proposals to resolve the governance, operational and financial challenges faced by state-owned enterprises, particularly Eskom. We firmly believe that if South Africa does not succeed, neither can Sanlam. We are therefore committed to assisting government to help drive progress on these critical matters and continue to work alongside corporate South Africa and our industry associates to ensure the country's success. This is particularly important in light of the persistent risk of a credit rating downgrade.

Outside of South Africa, overall new business growth in other emerging markets is expected to remain strong. However, currency volatility in Angola and the weakening operating environment in Lebanon are particular risk factors that we will monitor carefully during the course of 2020. Despite the challenges, we are confident that we have an unrivalled opportunity to grow the business, bolstered by SEM's renewed focus on key markets and the energy and experience of the new leadership team.

Our goal is to build quality businesses and ensure we have the capability to be the insurer of choice for corporates operating in Africa. This will take time, but we believe we are on the right track to fully realise the potential of the Saham acquisition. One of the reasons for our success in Africa is that we have formed independent strategic partnerships with local institutions in every country in which we have a presence, and we will continue to provide support for our emerging market businesses and their clients.

Sanlam has stood firm for the past 101 years and, as we look towards 2020, the Group's fundamentals remain in place. This means that we can continue to implement our strategy and gear ourselves to be stronger and better positioned for future growth – now and for the next 100 years.

FINANCIAL REVIEW
2019 ANNUAL RESULTS

Key performance indicators

Earnings

- Net result from financial services increased by 9%
- Net operational earnings increased by 14%

New business

- Net value of new covered business up 15% to R2,3 billion
- Net new covered business margin of 2,98% (2,67% in 2018)
- New business volumes increased by 12% to R249 billion
- Net fund inflows of R57 billion compared to R42 billion in 2018

Group Equity Value

- Group Equity Value per share of R64,36
- Return on Group Equity Value per share of 6,4% (2018: 11,6%)
- Adjusted Return on Group Equity Value per share of 11,9% (2018: 19,4%)

Capital management

- Net R4,5 billion raised through share issuance
- R593 million surplus unlocked from operations
- R2 billion invested in Group operations
- Discretionary capital of R220 million at 31 December 2019
- Sanlam Group SAM cover ratio of 211% (2018: 215%)

Dividend

- Dividend per share of 334 cents, up 7,1% (3% real growth)

Salient results

for the year ended 31 December 2019

		2019	2018	Δ
SANLAM GROUP				
Earnings				
Net result from financial services	R million	**9 674**	8 890	9%
Net operational earnings	R million	**10 798**	9 455	14%
Headline earnings	R million	**7 481**	9 162	(18%)
Weighted average number of shares[(1)]	million	**2 090,0**	2 077,3	1%
Adjusted weighted average number of shares[(1)]	million	**2 208,5**	2 098,8	5%
Net result from financial services per share	cents	**438,0**	423,6	3%
Net operational earnings per share	cents	**488,9**	450,5	9%
Diluted headline earnings per share	cents	**357,9**	441,1	(19%)
Business volumes				
New business volumes	R million	**249 323**	223 029	12%
Net fund inflows	R million	**56 766**	41 539	37%
Net new covered business				
Value of new covered business	R million	**2 280**	1 985	15%
Covered business PVNBP[(2)]	R million	**76 446**	74 378	3%
New covered business margin[(3)]	%	**2,98**	2,67	
Group Equity Value				
Group Equity Value	R million	**143 271**	134 052	7%
Group Equity Value per share	cents	**6 436**	6 341	1%
Return on Group Equity Value per share[(4)]	%	**6,4**	11,6	
Adjusted Return on Group Equity Value per share[(5)]	%	**11,9**	19,4	
Solvency cover				
Sanlam Group	%	**211**	215	
Sanlam Life Insurance Limited	%	**253**	264	
Sanlam Life Insurance Limited covered business[(6)]	%	**206**	221	

Notes

(1) Weighted average number of shares excludes Sanlam shares held directly or indirectly through consolidated investment funds in policyholder portfolios, as well as Sanlam shares held by the Group's broad-based black economic empowerment special purposes vehicle (B-BBEE SPV) that is consolidated in terms of International Financial Reporting Standards. These shares are treated as shares in issue for purposes of adjusted weighted average number of shares in issue, which is the base to determine net result from financial services per share and net operational earnings per share. Diluted headline earnings per share is based on the weighted average number of shares.

(2) PVNBP = present value of new business premiums and is equal to the present value of new recurring premiums, at the relevant risk discount rate for each business, plus single premiums.

(3) New covered business margin = value of new covered business as a percentage of PVNBP.

(4) Growth in Group Equity Value per share (with dividends paid, capital movements and cost of treasury shares acquired reversed) as a percentage of Group Equity Value per share at the beginning of the year.

(5) Adjusted Return on Group Equity Value = Return on Group Equity Value excluding investment market and currency volatility, changes in interest rates and other factors outside of management's control.

(6) Excludes investments in subsidiaries and associated companies, discretionary capital, cash accumulated for dividend payments and the net asset value of non-covered operations.

Constant currency information

The constant currency information included in this review has been presented to illustrate the impact of changes in the South African rand exchange rates and is the responsibility of the Group's Board of directors. It is presented for illustrative purposes only and because of its nature may not fairly present the Group's financial position, changes in equity, result of operations or cash flows. All references to constant currency information are based on the translation of foreign currency results for the year to 31 December 2019 at the weighted average exchange rate for the year to 31 December 2018, which is also applied for the translation of comparative information. The major currencies contributing to the exchange rate movements are the British pound, United States dollar, Indian rupee, Angolan kwanza, Nigerian naira and the Moroccan dirham (negative movements in the table below indicate a strengthening in the rand exchange rate):

Currency	Average rand exchange rate – 2019	Average rand exchange rate – 2018	Change in average exchange rate
British pound	18,42	17,60	4,6%
United States dollar	14,43	13,17	9,6%
Indian rupee	0,206	0,194	6,1%
Angola kwanza	0,041	0,053	(23,6%)
Nigerian naira	0,040	0,037	9,1%
Moroccan dirham	1,52	1,42	7,0%

In respect of the Group's investment in the Saham Group, the constant currency information only allows for the impact of the change in exchange rate between the South African rand and the Moroccan dirham on the consolidated Saham Group results. No adjustment is made for exchange rate movements between the Moroccan dirham and the reporting currencies of the Saham subsidiaries.

Sanlam's external auditor, Ernst & Young Inc., issued an independent reporting accountants' assurance report in terms of ISAE 3420 (Assurance Report on the Process to Compile Pro Forma Financial Information Included in a Prospectus) in respect of the constant currency information in terms of section 8 of the JSE Listings Requirements. The independent reporting accountants' assurance report is available for inspection at Sanlam Limited's registered address.

Structural information

The Group acquired the remaining 53,4% interest in Saham Finances with an effective date of 1 October 2018, with the results of the Saham Finances Group consolidated from this date compared to an equity-accounting basis up to 30 September 2018. This impacts on the comparable growth rates for the 2019 financial year. Where relevant, structural information is provided to quantify the impact of the change in accounting treatment of Saham Finances on growth in the Group's key performance indicators. The structural information included in this results announcement is the responsibility of the Group's Board of directors. It is presented for illustrative purposes only and because of its nature may not fairly present the Group's financial position, changes in equity, result of operations or cash flows.

Comments on the results

Introduction

The Sanlam Group's International Financial Reporting Standards (IFRS) financial statements for the year ended 31 December 2019 are presented based on and in compliance with IFRS. The basis of presentation and accounting policies for the IFRS financial statements and shareholders' information are in all material respects consistent with those applied in the 2018 Integrated Report and Annual Financial Statements, apart from the following:

- First-time adoption of the new leases standard (IFRS 16). The standard requires lessees to capitalise all significant lease arrangements at recognition of the lease as a right-of-use asset with a corresponding finance lease liability. The Group applied the standard using the modified retrospective approach with effect from 1 January 2019. Right-of-use assets and corresponding finance lease liabilities of R2 billion were recognised on this date. The adoption of IFRS 16 did not have a significant impact on the Group's earnings for the 2019 financial year.
- The introduction of "Net operational earnings" as earnings metric in the shareholders' fund income statement. Net operational earnings is the aggregate of net result from financial services, net investment income, net investment surpluses and net project expenses. It incorporates the two key areas of strategic focus from an earnings perspective, namely operating profit and investment return earned on the Group's capital base (including discretionary capital), in driving our objective to optimise Return on Group Equity Value (RoGEV). Normalised headline earnings is discontinued as an earnings measure with effect from the 2019 financial year as it does not represent a key performance indicator from a strategic perspective.

The Group achieved a solid operational performance in 2019, with growth of 14% and 15% respectively in net operational earnings and the net value of new covered business (VNB) written. The 37% increase in net fund inflows is a particular highlight. RoGEV, however, did not meet our expectations for the year, impacted by currency movements, pressure on the share prices of Santam, AfroCentric and our listed businesses in India and Namibia, lower net fund inflow assumptions at the South African wealth and investment management businesses, as well as a decline in the Saham valuation to allow for the current weak claims experience in Africa and the deterioration in the Lebanese economy. A prudent approach was followed for the valuation of the Angolan and Lebanese businesses through the application of the parallel exchange rates in these countries instead of the official rates. Adjusted RoGEV, which excludes volatility in investment and currency markets, as well as other factors not under management's control, of 11,9% also lagged the target of 13,5% for the year. The integration of Saham is progressing well, with specific focus on continuously improving the financial control environment in the smaller businesses, in line with the approach elsewhere in the group.

We recognised from the outset that we will face a number of headwinds in 2019. Low economic growth in some of our key markets, heightened global geopolitical risks as well as volatility in investment and currency markets did not bode well for growth in our key performance indicators (refer Economic and Financial Market review from page 37 for further information on the operating conditions in the countries where we operate). The South African economic environment in particular disappointed. A lack of progress in addressing critical structural reforms and the sustainability of key state-owned enterprises, contributed to depressed business and investor confidence, low economic growth and increased levels of unemployment in this, our largest market. Persistently high claims experience across the SEM African general insurance businesses also impacted on our overall performance.

Our diversification across geographies, market segments and lines of business, supported by a highly motivated and skilled human capital base, allowed us to navigate these challenges to continue to deliver strategic value to Sanlam shareholders.

Highlights and lowlights for the year include the following:

Highlights	Lowlights
Strong growth in key earnings and new business performance indicators	Adjusted RoGEV per share of 11,9% did not meet the target of 13,5%
Record net fund inflows into SIG third party asset manager	Adverse claims experience across SEM general insurance portfolio in Africa
Value through partnerships: Capitec Bank funeral business policies sold since launch in May 2018 reached 1,4 million	Deterioration in Lebanon economic environment; currency depreciation in Angola and Zimbabwe
Turnaround in Sanlam Corporate underwriting profit and Glacier new business performance since 1H19	Weak SA operating environment: • Increased credit-related provisioning in Sanfin • Pressure on Glacier and middle-income market sales
Santam underwriting margin of 7,7% at the upper end of its target range	Operational underperformance at Sanlam UK's wealth planning and advice businesses
Quality of earnings: Continued positive experience variances and resilient persistency despite difficult operating conditions	Decline in Cote d'Ivoire value of in-force covered business
7,1% increase in Sanlam dividend (real growth of 3%)	

The acquisition of the remaining interest in Saham Finances in the latter half of 2018 is the only structural activity that had a significant impact on the results for the year ended 31 December 2019.

All references to 2018 relate to the 2018 financial year, unless otherwise stated.

Operating environment

Economic conditions

Economic conditions in a number of the markets where we operate were not conducive to growth, as elaborated on from page 37.

Equity markets

The South African equity market delivered a relatively stronger performance with the FTSE/JSE Swix Index (inclusive of dividends) recording a return of 9,3% for the year to 31 December 2019, compared to a negative return of 11,7% in the comparable period in 2018. On average, the Swix was still 3% lower in 2019. The MSCI World Index total return in rand of 24,1% was well in excess of the 6,1% return in 2018. Absolute investment return earned on capital portfolios benefited from the relatively stronger performance. The lower average market levels in South Africa during 2019, however, continued to place pressure on growth in fund-based fee income. Negative equity market returns in some other key markets such as Cote d'Ivoire, also detracted from operational earnings.

Interest rates

The South African nine- and five-year interest rates decreased by 20 and 50 basis points respectively since the end of 2018. The South African All Bond Index return of 10,3% in 2019 compares to a return of 7,7% in 2018. Long-term interest rates also declined in a number of the SEM markets as well as the UK. Movements in interest rates commensurately had an overall positive impact on growth in VNB and RoGEV for the 2019 financial year.

Foreign currency exchange rates

The South African rand experienced significant volatility throughout 2018 and 2019. On an average basis, it weakened against most of the currencies where the Group operates in 2019, despite being marginally stronger at 31 December 2019 compared to 31 December 2018. The Group's translated rand operating earnings and new business metrics benefited from the weaker average exchange rates. RoGEV was, however, negatively affected by the absolute appreciation year-on-year.

Foreign currency/ZAR	United Kingdom	USA	Botswana	India	Morocco	Angola	Rest of Africa (weighted)
	GBP	USD	BWP	INR	MAD	AOA	
31/12/2018	18,32	14,38	1,37	0,21	1,51	0,05	
31/12/2019	18,52	13,98	1,34	0,20	1,47	0,03	
(Appreciation)/depreciation	1,1%	(2,8%)	(2,2%)	(4,9%)	(2,6%)	(37,3%)	(15,3%)
Average 2018	17,60	13,17	1,32	0,19	1,42	0,05	
Average 2019	18,42	14,43	1,36	0,21	1,52	0,04	
(Appreciation)/depreciation	4,6%	9,6%	3,3%	6,1%	7,0%	(23,6%)	(5,2%)

Group Equity Value

GEV amounted to R143,3 billion or 6 436 cents per share at 31 December 2019. Including the dividend of 312 cents per share paid during the year, a RoGEV per share of 6,4% was achieved in 2019. Group operations yielded an overall return of 6%, the combination of 16,6% return on covered business and -1,8% on other Group operations.

Group Equity Value at 31 December 2019

	GEV		RoGEV	
R million	2019	2018		%
Group operations	**133 517**	132 658	7 970	6,0
Sanlam Personal Finance	**47 141**	43 185	8 640	20,0
Sanlam Emerging Markets	**40 731**	44 659	(3 186)	(7,1)
Sanlam Investment Group	**20 050**	18 703	1 452	7,6
Santam	**19 675**	20 102	290	1,4
Sanlam Corporate	**5 920**	6 009	774	13,4
Covered business	**60 156**	56 234	9 351	16,6
Value of in-force business	**45 179**	41 456	9 021	21,8
Adjusted net worth	**14 977**	14 778	330	2,2
Other operations	**73 361**	76 424	(1 381)	(1,8)
Group operations	**133 517**	132 658	7 970	6,0
Discretionary capital and other	**9 754**	1 394	521	65,4
Group Equity Value	**143 271**	134 052	8 491	6,3
Per share (cents)	**6 436**	6 341	407	6,4

The underperformance against a target of 13,5% for 2019 is largely attributable to the following:

- The appreciation in the rand exchange rate against most currencies where the Group operates during 2019 impacted negatively on the valuations and RoGEV of the non-South African operations in rand terms. Angola and Zimbabwe detracted most on a relative basis given the significant weakening in these currencies. In addition, the Group also applied the parallel market exchange rates of 2 200 and 620 to the US$ respectively for the valuation of the Lebanese and Angolan operations. The difference between actual and expected exchange rate movements across the Group detracted 3% from RoGEV (SEM: 10%).
- Pressure on the listed share prices of AfroCentricAfroCentric in South Africa, CIH in Namibia and the credit businesses in India placed a cap on the valuation of these businesses in terms of the Group's valuation methodology, resulting in some R3 billion lower valuations compared to the internal models. This had a 2% negative impact on RoGEV (SEM: 6%; Sanlam Corporate: 3%). These businesses are all included in GEV at price/earnings ratios below 10 times.
- The SEM result includes an update to modelling for Côte d'Ivoire life business. The original acquisition models have now been updated to reflect the current profitability of the in-force books, which is lower than estimated at the time of the acquisition, partly due to a reduction in future investment return assumptions following recent market performance. The weak economic environment in Lebanon and a write-down of the Zimbabwe operations to zero also impacted results. This is reflected in negative modelling and other assumption changes of R546 million being recognised in RoGEV from SEM covered business, after a partial offset of R283 million relating to overhead expenses that are now allocated to non-covered business. The current weak claims experience across the Saham general insurance portfolio was allowed for in the medium-term cash flow projections of the non-life operations, suppressing the returns from these operations. The weak economic environment in Lebanon also resulted in a sovereign credit downgrade, which required IFRS 9 credit provisioning of some R340 million after tax.
- A low return of 1,4% was earned on Santam, which is valued at its listed share price. This return is in line with the general weak performance of South African financial shares in 2019.

Adjusted RoGEV per share, which excludes the impact of variances between actual and long term assumed investment return, interest rate changes and other one-off effects not under management control, and assuming normalised exchange rate movements, amounted to 11,9%. Adjusted RoGEV also includes the valuation of AfroCentric, CIH and the Indian businesses based on the internal models before application of the cap based on the listed share prices. The underperformance against target was largely due to the following:

- Despite the Santam share price delivering a return in line with the financial services index, it substantially underperformed the Group's JSE/FTSE Swix/Capped Swix benchmark, which benefited in 2019 from strong returns on commodity shares.
- The lower net fund inflow assumptions applied in the valuation of the SIG wealth and investment management businesses in South Africa given the current challenging economic environment, as referred to above.
- Allowance for the current operational experience in the Saham portfolio in the medium-term cash flow projections used for the GEV valuations.

The return on covered business was well in excess of the hurdle rate, reflecting strong returns at SPF and Sanlam Corporate of more than 20%. The return from these clusters benefited from their new business performance (refer business volumes section below), positive operating experience variances and assumption changes as well as, for SPF, positive economic assumption changes emanating from the lower long-term interest rates. SEM's return was negatively impacted by the factors highlighted above. The return on SIG covered business was also affected by the stronger rand, aggravated by lower than expected credit spread experience variances at Sanfin due to the strengthening in credit provisions.

The main components contributing to the return on covered business at a consolidated Group level are summarised below:

Return on covered business for the year ended 31 December 2019

%	2019	2018
Expected return – unwinding of the RDR	**9,4**	9,2
Value of new covered business	**4,1**	3,7
Operating experience variances	**2,4**	3,9
Operating assumption changes	**(0,4)**	0,6
Economic assumption changes	**0,5**	(1,4)
Expected investment return on capital portfolio	**1,8**	1,7
Investment variances	**(0,6)**	(5,1)
Value of in-force	**0,6**	(4,9)
Capital portfolio	**(1,2)**	(0,2)
Foreign currency translation differences and other	**(0,6)**	(1,6)
Return on covered business	**16,6**	11,0

- Expected return on covered business was in line with the comparable period in 2018 given comparable risk discount rates at the start of the periods.

- Return from value of new covered business increased in 2019 following strong growth at SPF and Sanlam Corporate (refer business volumes section below).
- Operating experience variances declined in 2019, attributable to the following:
  - The comparative base in 2018 included a one-off decline in cost of capital of R292 million following a reduction in the capital allocated to the Sanlam Life covered business operations.
  - Slightly lower risk claims experience variances from a high base in 2018, in particular at SPF, in line with the phasing in of best estimate risk assumptions over the past four years.
  - Weaker persistency experience at Sanlam Sky and SEM, partly offset by improved experience at Sanlam Corporate.
  - Lower credit spread experience variances in Sanfin as referred to above.
- The deterioration in operating assumption changes is largely due to the negative modelling changes in the Saham portfolio, as elaborated on above.
- The decrease in the risk discount rate in 2019 due to lower long-term interest rates in a number of markets had an overall positive impact on economic assumption changes.
- Actual investment return earned on policyholder portfolios exceeded actuarial assumptions in 2019, resulting in positive investment variances on the in-force book of covered business. The South African capital portfolio, however, marginally underperformed long-term assumptions, aggravated by the IFRS 9 charges recognised in Lebanon. This contributed to negative investment variances on adjusted net worth. The overall improvement compared to 2018 reflects the relatively stronger investment market performance in 2019.
- Foreign currency translation differences and other largely reflects the impact of movements in exchange rates on the rand-based valuations of non-South African covered business.

Other Group operations delivered a negative return of 1,8%.

- The 16% return from SPF's non-life operations reflect the combination of an overall solid underlying operational performance as well as lower risk discount rates.
- The SEM non-life operations recorded negative RoGEV of 8.7%. The largest contributors to the negative return are Saham and the credit businesses in India. The stronger rand exchange rate against the basket of Saham currencies had a significant negative impact, which included the official Angola kwanza devaluation as well as moving to the parallel exchange rates for Angola and Lebanon. The valuation of the Saham portfolio also allows for the current weak general insurance claims experience across the portfolio. The return on the Shriram Capital investment was negative 7,9% in rand terms. This is essentially due to currency translation losses and the impact of pressure on the share prices of the listed Indian credit businesses, as highlighted above. Good claims experience at Shriram General Insurance contributed positively to operational results.
- SIG achieved an overall RoGEV of 6,8% from its non-life operations. Future growth assumptions for its South African investment and wealth management operations were reduced in the current challenging operating environment, which more than offset the benefit of lower risk discount rates. Similar to SEM, the returns from non-South African operations were depressed by the stronger rand exchange rate.
- The cap applied to the AfroCentric valuation contributed to a 31% negative return for Sanlam Corporate's non-life operations. Based on the internal valuation, Sanlam Corporate's return on other operations was negative 11%, which allows for lower future cash flow assumptions in the context of the persisting difficult economic environment.
- The Santam RoGEV reflects the investment return of the listed share price.

Earnings

Shareholders' fund income statement for the year ended 31 December 2019

R million	2019	2018	△
Net result from financial services	9 674	8 890	9%
Sanlam Personal Finance	4 265	4 033	6%
Sanlam Emerging Markets	2 632	2 038	29%
Sanlam Investment Group	1 070	1 152	(7%)
Santam	1 217	1 196	2%
Sanlam Corporate	590	580	2%
Group office and other	(100)	(109)	8%
Net investment return	1 254	701	79%
Project expenses	(130)	(136)	4%
Net operational earnings	10 798	9 455	14%
Amortisation of intangible assets	(766)	(400)	
Equity participation costs	(596)	(5)	
(Loss)/profit on disposal of subsidiaries and associates	(6)	2 773	
Impairments	(339)	(305)	
Net non-operational equity-accounted earnings	19	3	
Normalised attributable earnings	9 110	11 521	(21%)

Net result from financial services (net operating profit) of R9,7 billion increased by 9% (up 7% in constant currency), with solid contributions from all major businesses, apart from Sanlam Investment Group's (SIG) wealth and advice businesses in the United Kingdom (UK), AfroCentric within the Sanlam Corporate portfolio and Saham.

SPF grew its net result from financial services by 6%. A prior year tax adjustment of R70 million at Sanlam Personal Loans (SPL) had a positive impact on the after-tax results, with gross result from financial services increasing by 3%. Excluding higher new business strain emanating from the strong new business growth at Sanlam Sky, BrightRock, Sanlam Indie and MiWayLife, net result from financial services increased by 10%. This is a particularly pleasing performance from a mature business operating under challenging conditions in South Africa.

SPF net result from financial services for the year ended 31 December 2019

R million	2019	2018	△
Sanlam Sky	1 339	1 268	6%
Recurring premium sub cluster	2 511	2 780	(10%)
Glacier	1 566	1 190	32%
LISP	513	539	(5%)
Life investments	1 053	651	62%
Strategic business development	387	374	3%
Sanlam Personal Loans	388	422	(8%)
Other	(1)	(48)	98%
Gross result from financial services	5 803	5 612	3%
Tax on gross result from financial services	(1 570)	(1 636)	4%
Non-controlling interest	32	57	(44%)
Net result from financial services	4 265	4 033	6%

- *Sanlam Sky* achieved 6% growth in its gross result from financial services; up 15% excluding additional new business strain incurred as a result of strong growth in its new business volumes (refer business volumes section that follows). This growth reflects the increase in the size of the in-force book over the last number of years. Improved investment and expense variances largely offset some weakening in mortality and persistency experience.
- Gross result from financial services of the *Recurring premium sub cluster* declined by 10%. This is largely attributable to higher new business strain (R120 million) and negative actuarial basis changes of R198 million (2018: positive R210 million). Excluding these, gross result from financial services increased by 10%. Growth in the size of the in-force book of risk business supported the contribution from this line of business, augmented by lower operating losses at BrightRock. The actuarial basis changes in 2019 primarily relates to a strengthening in the allowance for one-off project expenses incurred in respect of the IFRS 17 implementation programme and the roll-out of the business intelligence platform.
- *Glacier*, which incorporates single premium life investments and the Linked Investment Savings Plan platform (LISP) recorded a 32% increase in gross result from financial services, the combined effect of a 5% decline in profit from the LISP business and a 62% rise in the contribution from life investments. Earnings from the LISP business were adversely affected by below-inflation growth in fee income and lower rebates earned from investment fund managers. Market-related fee income from products where Glacier participates in actual investment return earned on the policyholder portfolios supported the increase in profit earned from life investments by some R280 million, in line with the relatively stronger investment market performance in 2019. Guaranteed plan profits benefited from mismatch profits and a release of excess expense reserves (cumulative R86 million).
- *Strategic business development* includes SPL, Sanlam Trust, Multi-Data and Sanlam Reality. SPL's gross result from financial services declined by 8% from a high base in 2018, which included one-off earnings recognised upon the introduction of IFRS 9. The performance of the book remains sound. The lower net loss from other businesses largely reflect reduced expenditure.

SEM grew its gross result from financial services by 47%. An increase in the effective tax rate and increased participation by non-controlling interests reduced growth in net result from financial services to 29%, including the Saham structural activity and exchange rate differences (11% excluding structural activity and in constant currency). The cluster's effective tax rate increased from 29% to 32%, largely attributable to a one-off reversal of deferred tax in Botswana of some R40 million and the introduction of a 2% social tax in Morocco. The increase in non-controlling interest participation is mostly attributable to the structural impact of the Saham acquisition.

SEM net result from financial services for the year ended 31 December 2019

R million	2019	2018	Δ
Southern Africa	**1 776**	1 491	19%
North and West Africa	**1 515**	884	72%
East Africa	**218**	40	445%
Other international	**2 223**	1 487	49%
Corporate costs	**(184)**	(129)	(43%)
Gross result from financial services	**5 548**	3 773	47%
Tax on gross result from financial services	**(1 788)**	(1 109)	(61%)
Non-controlling interest	**(1 128)**	(626)	(80%)
Net result from financial services	**2 632**	2 038	29%
Saham	**730**	510	43%
Other	**1 902**	1 528	24%

Line of business analysis

SEM's operations are managed within two sub clusters, namely Sanlam Pan Africa and Other international. The Sanlam Pan Africa portfolio is in turn managed along lines of business to ensure appropriate focus across the wide footprint. Sanlam Pan Africa Life is responsible for all life insurance, asset management and credit businesses in Africa, while Sanlam Pan Africa General manages all of the general insurance operations.

R million	2019	2018	Δ
Sanlam Pan Africa Life	**1 830**	1 544	19%
Sanlam Pan Africa General	**1 679**	871	93%
Other international	**2 223**	1 487	49%
Corporate costs	**(184)**	(129)	(43%)
Gross result from financial services	**5 548**	3 773	47%

Sanlam Pan Africa Life exceeded its target for the year. Botswana and Nigeria delivered solid growth in line with expectations. Namibia's results included increased new business strain and showed only marginal growth. Cote d'Ivoire results disappointed, impacted by negative investment variances caused by significant unrealised fair value losses, in particular on the equity exposure in the policyholder portfolios. The Moroccan life business delivered strong growth in operating earnings, contributing to an overall outperformance of the 2019 target by the former Saham life operations.

The Sanlam Pan Africa General portfolio had a difficult year with claims experience remaining elevated in key countries. With effect from 2019, overhead expenses incurred in South Africa and Morocco to support these businesses are allocated to the Life and General portfolios. Excluding overhead expenses, the portfolio achieved an underwriting margin of 3,2%, which compares to 3,8% in 2018. Including the allocation of overhead expenses, the underwriting margin amounts to 2% (former Saham portfolio: 2%), well below the 5% to 9% target range. Good return on insurance funds, in particular in Morocco, supported a net insurance margin of 12,9% (former Saham portfolio: 13,9%), which exceeded the lower end of the target range of 12% to 18%. The risks covered by the former Saham businesses are longer term in nature, given the exposure to third party bodily injury lines of business. Insurance fund (float) balances are commensurately high (more than 100% of premiums) with return on insurance funds forming a pronounced component of the net insurance margin (target range of 7% to 9%). This return is, however, volatile in nature given the exposure to equities and properties within the float portfolios. This exposure is appropriate to optimise RoGEV over the longer term given the nature of investment markets in West and North Africa and low interest rates in a number of countries.

Other international growth of 49% in gross result from financial services is largely reflective of strong growth in India, in particular at the general insurance business.

Further commentary is provided in the regional analysis.

Regional analysis

Southern Africa gross result from financial services increased by 19%.

- The *Namibian* businesses grew their gross result from financial services by 8%. Life insurance earnings increased marginally, with an improvement in Group life claims experience largely offset by higher new business strain. The challenging economic conditions in Namibia contributed to severe price competition in the general insurance market. Santam Namibia profit was flat on the previous year as a result. Earnings from banking operations increased by 6%.
- The *Botswana* operations' growth in gross result from financial services was 23%. Life insurance earnings increased by 9%, supported by strong growth in Group funeral business, favourable term assurance claims experience and mortality profit from the annuity book. Letshego's profit grew by 31% from a low base in 2018, benefiting from a significant increase in post-write off recoveries following increased focus on collections.
- Gross result from financial services from other Southern African countries increased by 12%. Sterling growth in Group new business volumes and favourable claims experience contributed to a more than 28% increase in Malawi's contribution. Zambia also experienced a significant improvement from a low base in 2018, which included losses relating to the previous healthcare administrator. Saham's MCI Care business manages the health book with effect from 2019.

  Angola had a weak 2019 with a combined ratio in excess of 100%. The Angolan currency collapsed following the removal of the band within which the Central Bank managed the exchange rate. The cost of imported motor parts and medical inflation soared as a result, placing significant pressure on claims experience. Repricing implemented in response provided some relief, but do not fully reflect in the 2019 earnings given the delay caused by annual renewals. The mix of business was also skewed towards the less profitable medical line of business in 2019. Further repricing and a stabilisation in the currency should improve earnings in 2020.

A deterioration in Saham Re's claims ratio reflected the second order impact of the elevated claims experience in Morocco, Angola and Cote d'Ivoire. Saham Re is based in Mauritius and therefore reported as part of Southern Africa.

North and West Africa gross result from financial services increased by 72% to R1,5 billion. The main contributors to this region are the former Saham operations in Morocco and Cote d'Ivoire, and FBN Insurance in Nigeria.

- High motor claims experience persisted in Morocco, in line with industry experience. Repricing and claims management improvement processes implemented during the year will take some time to reflect in the underwriting margin. The return on insurance funds exceeded targets for the year, with the equity and bond portfolios outperforming benchmarks. This contributed to a net general insurance margin of 17%, well within the target range, despite a below-par underwriting margin of 0,8%. The Moroccan life business performed well in excess of its target for the year, benefiting from good Group life mortality profit and positive investment variances.
- Operating earnings from Cote d'Ivoire disappointed. A number of mid-size fire claims, elevated medical inflation and a strengthening in reserves impacted on the Cote d'Ivoire general insurance underwriting results. The life insurance business also experienced lower than expected profitability due to negative investment variances, the combination of negative equity market returns and an underperformance against benchmark. The portfolio construction is currently under review with the assistance of Sanfin.
- A number of large claims impacted on Continental Re's underwriting margin. These included exposure to losses from the Mozambique cyclone, oil and gas claims in Lagos, fire and accident claims in Gaborone as well as marine claims and the loss of a refinery in Douala.
- FBN Insurance increased its gross result from financial services by 27% to exceed R100 million (Sanlam's 35% share) for the first time, an exceptional performance for this greenfields operation that was started in 2010. Strong new business growth supported the Nigerian results.

The East Africa 2019 earnings include a R85 million positive one-off impact (R33 million after tax and minorities) relating to a relaxation in the regulatory reserving basis in Kenya. Tanzania general insurance earnings recovered from restructuring costs and particularly negative claims experience in 2018.

Gross result from financial services from the Other international region (India, Malaysia and Lebanon) increased by 49%.

- Gross result from financial services in India increased by 72% to R2 billion. The credit businesses achieved growth of 20%. Pressure on disbursements due to liquidity constraints in the Indian market and lower new vehicle sales limited growth in the size of the loan books. This was offset by an improvement in the net interest margin at both Shriram Transport Finance Company (STFC) and Shriram City Union Finance (SCUF). SCUF's earnings were in addition supported by improved arrears collections.

  Shriram General Insurance achieved exceptional growth of 126% from R387 million in 2018 to R875 million in 2019. This is due to a major improvement in the performance of the third-party liability book. This line of business benefited from lower claims frequency (an improving trend over the last few years) as well as strategic focus on claims management that is yielding results through better fraud detection and faster settlement of claims at a lower ultimate cost per claim. This contributed to a lower reserving basis in 2019.

  Life insurance profit was negatively affected by lower new business generated from the credit businesses' client bases, in line with the lower level of disbursements.
- Gross result from financial services in Malaysia declined by 17% to R78 million. The life business had a good year, increasing its profit contribution by 32%. Diligent expense management, increased profit earned from participating business and mismatch profits more than offset high medical, disability and critical illness claims experience. High claims experience persisted at Pacific&Orient, the general insurance business. Management expenses were also elevated, due to increased marketing expenditure and system development costs incurred to support an expansion in the number of agents in pursuit of its motor strategy. This contributed to a disappointing 60% decline in general insurance gross result from financial services.
- Lebanon contributed gross result from financial services of R138 million (2018: R68 million). Operating conditions deteriorated significantly in Lebanon towards the end of 2019 in the face of a major slowdown in the economy and wide spread social unrest. Positive claims experience enabled the general insurance business, which contributes some 80% of the Lebanese profit, to outperform its target for the year, despite the economic challenges. Attractive interest rates offered by local banks, aggravated by the weak economy and severe pressure on disposable income, contributed to low new life business volumes and weak persistency. Life insurance profits were commensurately under pressure. In the context of the sovereign risks and downgrade, these results are not considered sustainable.

SIG's net result from financial services declined by 7% (10% lower in constant currency). All major businesses delivered satisfactory growth, apart from the UK wealth and advice businesses, which were impacted by lower fee income and one-off transaction and project related expenses. The effective tax rate for the cluster increased due to the consolidation of Nucleus, prior year tax adjustments and some non-deductible expenses in the UK.

SIG net result from financial services for the year ended 31 December 2019

R million	2019	2018	△
Sanlam Investments (3rd party business)	536	377	42%
Wealth Management	186	170	9%
International	355	515	(31%)
Corporate services	(28)	(16)	(75%)
Investment management	1 049	1 046	–
Sanlam Specialised Finance	510	496	3%
Sanlam Asset Management	214	204	5%
Central Credit Manager and other	296	292	1%
Gross result from financial services	1 559	1 542	1%
Tax on gross result from financial services	(392)	(326)	20%
Non-controlling interest	(97)	(64)	(52%)
Net result from financial services	1 070	1 152	(7%)

- The *Sanlam Investments 3rd party asset manager's* gross result from financial services increased by 42%, a stellar performance under difficult conditions. The strategic focus on alternative asset classes contributed considerable earnings in 2019. The closure of the Climate Investor One Fund at $850 million generated one-off income of R68 million in the Alternatives business. Sanlam Properties' operating profit increased by 54% from R39 million to R60 million, with the business generating strong fee income from property acquisitions and developments. Performance fees, stringent cost control and solid net fund inflows supported fee income in the other business units. The investment team had a good year, with more than 85% of portfolios exceeding their benchmarks, supporting an increase in net performance fees from R17 million in 2018 to R71 million in 2019. The Large Manager Watch Global portfolio attained a 2 out of 10 ranking.
- *Wealth Management* gross result from financial services increased by 9%. Fee income rose by some 10%, attributable to net inflows in the prior year and a favourable change in mix of business. Brokerage income, however, lagged in general due to lower overall trading levels in the uncertain environment.
- The *International* business was impacted by lower brokerage income in the wealth business, lower advice fees, bad debt provisions of some R30 million and one-off expenses incurred in respect of acquisitions, restructuring and other projects. These more than offset an otherwise strong underlying performance, with the asset management businesses benefiting from higher assets under management.
- *Sanlam Specialised Finance* (Sanfin) did well to increase its gross result from financial services by 3%, despite difficult conditions in 2019. The Sanlam Asset Management business (incorporating Sanlam Portfolio Management and Sanlam Structured Solutions) achieved 5% profit growth, a resilient performance in light of lower average equity markets and the redeployment of capital by Sanlam for corporate transactions that had a negative impact on the business' asset base. Sanlam Capital Markets (including the Central Credit Manager (CCM)) managed to increase its operating earnings by 1% despite significant corporate credit provisioning. Management of the Sanlam Corporate inflation-linked annuity portfolio was transferred to the CCM with effect from 1 January 2019, which added R38 million to the CCM profit in 2019. The CCM had to raise provisions of some R185 million against a number of South African credit exposures (excluding Mayfair), reflective of heightened credit risk. The exposure to Mayfair declined from some R800 million at the time of the collapse of the Steinhoff share price in 2017 to R381 million including interest at 31 December 2019. A provision of 25% was held against the investment at 31 December 2019, implying a net carrying value of R286 million. Including funding cost, the Mayfair exposure detracted R11 million from earnings in 2019.

Santam's net result from financial services increased by 2%.

- Santam's 2018 financial year was characterised by a particularly benign claims environment that contributed to a 9,2% underwriting margin for conventional business. The favourable claims experience did not persist in the first half of 2019, contributing to a decline in the underwriting margin for conventional business to 7,7%, albeit still at the upper end of the 4% to 8% target range. The underwriting result for conventional business commensurately declined by 12%. The liability line of business recorded a strong recovery, which included claims relating to the listeriosis outbreak early in 2018 in the comparable base. The core motor book delivered growth of 1% on the high base in 2018, while engineering achieved 5% growth in underwriting profits. This growth was, however, partly offset by a significant weakening in the property and agricultural lines, which were impacted by a number of fire, flooding and hail events in 2019. The alternative risk transfer business had a good year, more than doubling its contribution to operating earnings to R64 million.

- Investment return on insurance funds (float income) increased by 15%, driven by improved investment returns as well as higher float balances.
- Santam's share of earnings from the SEM general insurance businesses increased by 77%, supported by a strong performance from Shriram General Insurance. Santam's participation in the Saham earnings increased by 22%, including the increase in Santam's effective shareholding during 2018.

Sanlam Corporate's net result from financial services increased by 2%, a major improvement since the first half of 2019 when results were under pressure. Gross result from financial services increased by 3%. Excluding from the comparable base the inflation linked annuity portfolio transferred to Sanfin and the health operations sold to AfroCentric in 2018, gross result from financial services increased by a credible 14%. Repricing in response to the elevated Group risk claims experience is yielding results, with a major improvement in this line of business despite a high level of claims persisting. Group risk profit doubled to R210 million in 2019. Good traction in the conversion of standalone funds to the Sanlam Umbrella Fund is benefiting the earnings of the administration, advice and investment units. One-off expenditure and a decline in investment return following the deployment of capital for acquisitions limited AfroCentric's profit growth to 4%.

Net operational earnings of R10,8 billion are 14% up on 2018. This is the combined effect of the 9% increase in net result from financial services, a 4% decrease in net project expenses and a 79% increase in net investment return. Net investment return includes IFRS 9 credit provisioning of some R340 million following the sovereign credit rating downgrade of Lebanon, to a large extent offsetting the benefit from relatively stronger investment market performance in a number of other countries in 2019.

Normalised attributable earnings decreased by 21%, suppressed by the following:

- Net amortisation of intangible assets increased from R400 million in 2018 to R766 million in 2019, attributable to the amortisation of the value of business acquired intangible assets recognised in 2018 upon Saham and Nucleus becoming subsidiaries.
- Net equity participation cost includes a one-off charge of R594 million in 2019 in respect of the 5% B-BBEE share issuance. The total one-off IFRS 2 charge amounted to R1 686 million. R594 million is recognised in normalised attributable earnings, representing the economic cost to Sanlam shareholders from issuing the shares at a higher-than market-related discount. The remainder is recognised in fund transfers.
- Net profit on the disposal of subsidiaries and associates of R2,8 billion was recognised in 2018 in terms of IFRS as a result of the first-time consolidation of Saham and Nucleus. These were one-off earnings that increased the comparative base.
- Impairments of R339 million were recognised in 2019 compared to R305 million in 2018. Pressure on the listed share prices of Bank Windhoek and Letshego placed a cap on the GEV valuation of Capricorn Investment Holdings (our Namibian associate that holds a stake in Bank Windhoek) and Letshego, resulting in impairments of R88 million and R74 million respectively. An impairment of R44 million was also recognised to reduce the carrying value of the Zimbabwean operations to zero. The underperformance at Pacific&Orient required an impairment of R55 million.

Headline earnings decreased by 18%. The difference between normalised attributable earnings and headline earnings relates primarily to the exclusion of impairments (R339 million; 2018: R305 million) and profit on the disposal of subsidiaries and associates (-R6 million; 2018: R2 773 million), and the inclusion of negative fund transfers of R2 billion (2018: positive R106 million) in headline earnings. Fund transfers include:

- Non-economical mismatch profits and losses recognised in terms of IFRS through the elimination of Sanlam shares held in policyholder portfolios as treasury shares and the recognition of deferred tax assets in respect of assessed losses in policyholder portfolios (R267 million net loss).
- The difference between the R1,7 billion IFRS 2 charge recognised in respect of the B-BBEE share issuance and the R594 million recognised in normalised attributable earnings (R1 092 million expense).
- Consolidation of the B-BBEE SPV, which results in the recognition of interest paid on external funding in the SPV and administration costs incurred by the SPV in Sanlam's earnings (R601 million net expense).

The number of shares used to calculate headline earnings per share is reduced by the 5% shares held by the B-BBEE SPV, as these are treated as treasury shares on consolidation and written down to zero against reserves in the IFRS Statement of Financial Position.

Business volumes

New business volumes increased by 12% despite low investor confidence in South Africa and lower investment inflows in the UK, Namibia and Kenya. Life insurance new business volumes increased marginally, investment business inflows grew by 14% and general insurance earned premiums were 22% higher.

SPF achieved a strong second half performance, with Glacier in particular finding renewed traction. Overall new business sales increased by 1%, up 2% excluding the Capitec credit life business written in 2018 that did not repeat in 2019.

SPF new business volumes for the year ended 31 December 2019

R million	2019	2018	∆
Sanlam Sky	2 726	2 494	9%
Recurring premium sub cluster and Strategic business development	3 429	3 412	1%
Savings business	2 204	2 209	–
Risk and new initiatives	1 225	1 203	2%
Glacier	55 658	55 065	1%
Life investments	9 406	10 082	(7%)
LISP	46 252	44 983	3%
New business volumes	**61 813**	60 971	1%

- *Sanlam Sky's* new business increased by 9%, up 41% excluding the 2018 Capitec Bank credit life business of R566 million that did not repeat in 2019. The Capitec Bank funeral product, launched in May 2018, continues to exceed expectations, reaching new business sales of R1,1 billion in 2019. The newly launched African Rainbow Life business had a maiden contribution of R13 million.

  Sales through the traditional individual life intermediated channel rose by a satisfactory 10%, contributing to 50% overall growth in individual life new business inclusive of Capitec Bank funeral business. Safrican experienced a softer year, suppressing Group recurring new business growth to a marginal 1% excluding Capitec Bank credit life.
- The *Recurring premium sub cluster and Strategic business development* grew new business volumes by 1%, the combined effect of flat new business volumes in the Savings business and 2% higher sales at the other business units. Demand for single premium retirement annuities remained strong, with most other lines of business experiencing lower new business sales. This reflects the pressure on disposable income in the middle-income market and a consequential highly competitive environment. MiWayLife and Sanlam Indie contributed strong growth from a low base.
- *Glacier* found renewed traction in new business sales in the second half of the year. Investment business ended 2019 with growth of 5%, while life business declined by 3%. Overall new business sales increased by 1%. Healthy demand for discretionary savings products, guaranteed annuities and the investment linked life annuity (ILLA) was largely offset by lower volumes across other lines of business.

The low demand for single premium life business had a negative impact on SPF's net fund inflows, which decreased by 7% from R10,3 billion in 2018 to R9,6 billion in 2019.

SEM new business volumes increased by 33%, benefiting from the Saham structural activity (up 8% excluding structural activity and in constant currency). All of the major Saham territories exceeded their volume targets for the year, apart from Angola, Cote d'Ivoire and Lebanon. Overall general insurance new business volumes in the former Saham portfolio increased by 15% on a fully consolidated basis for both 2018 and 2019. Gross written general insurance premiums increased by 13% on a similar basis.

SEM new business volumes for the year ended 31 December 2019

R million	2019	2018	Δ
Southern Africa	15 695	13 992	12%
North and West Africa	12 666	6 979	81%
East Africa	2 362	1 868	26%
Other international	4 086	3 385	21%
New business volumes	34 809	26 224	33%
General insurance	15 604	9 873	58%
Life insurance	8 343	6 410	30%
Asset management	10 862	9 941	9%

Southern Africa new business volumes increased by 12% (up 11% in constant currency).

- New business volumes in Namibia declined by 14%. New life business increased by 20%, with strong growth in both entry-level and affluent market sales. New investment business, which is volatile in nature and more severely affected by the economic conditions in Namibia, decreased by 25%.
- In Botswana, a number of large mandates lifted new investment business volumes by 57%. New life business also achieved healthy growth of 16%, supported by good Group funeral scheme sales. Overall new business sales were up 43%.
- New business volumes across the other Southern Africa territories increased by 13%. Angola underperformed against its rand-based target, attributable to the impact of the weaker kwanza exchange rate and an adverse change in mix of business from motor to health. Saham Re in Mauritius's growth was impacted by lower premium flows from Angola due to the weak currency exchange rate. Zimbabwean new business declined by 59% to R158 million, the aggregate impact of the significantly weaker currency exchange rate and lower volumes in local currency under challenging economic conditions. All other countries achieved strong growth across all lines of business.

New business volumes in the North and West Africa region increased by 81%. The largest contributors to this region are (percentages indicate contribution to new business volumes): the Saham businesses in Morocco (59%), Cote d'Ivoire (9%) and Nigeria (12%) as well as FBN Insurance in Nigeria (5%). The Saham businesses achieved overall new business volumes broadly in line with the target for the year. FBN Insurance continued to grow strongly at 24%.

Within the East Africa region, all countries achieved growth in excess of 20%, apart from Kenya. Kenya's new business sales continued to disappoint, ending well down on target, albeit 17% up on 2018. Low individual life volumes are the main detractor from the new business performance.

India continues to be the main contributor to the Other international region. New business volumes in this region grew by 21%.

- New business production at the Indian life insurance business was under pressure as a result of the liquidity crunch in India and declined by 2% on 2018. The general insurance business experienced much stronger growth of 15%, contributing to overall growth of 12%.
- Malaysian new business volumes increased by 29% to R778 million. The turnaround at the life business is persisting with sterling growth of 43% in new business volumes. The mix of business also changed to the more profitable non-participating lines of business. General insurance new business increased by 11%, which was still below expectations.
- The Lebanon businesses contributed new business of R698 million under particularly difficult operating conditions. Life new business of R134 million were well down on targets for the year, impacted by the challenging conditions as highlighted above. The general insurance business did remarkedly well to end only slightly down on target, with the more affluent broker business more resilient in the challenging economic environment. This is, however, not considered sustainable.

Net fund flows increased by 31% from R8,6 billion in 2018 to R11,2 billion in 2019, with the Saham structural impact the main contributor.

SIG's new business volumes increased by a sterling 14%, the aggregate of 24% growth at the South African asset and wealth management businesses, partly offset by a lower contribution from the international portfolio. New business performance was broad based in the South African asset management business, with pleasing institutional, retail and alternative flows. The Alternative business reported strong inflows as Climate Investor One Fund had a final close in June 2019 of $850 million. Retail funds reported strong inflows across solutions and products with Implemented Consulting, with the SIM collective investment scheme range and Satrix funds all achieving good inflows. Wealth management flows improved in the second half of 2019 and ended the year with growth of 38%. Net fund inflows are a particular highlight for the year, increasing by 194% to R21,2 billion. The strong new business flows at the South African asset management businesses also reflect in their net fund flows contribution, which almost tripled. Wealth management experienced lower net inflows, down 28%, while the international business also underperformed with a 75% decline in net inflows from R2,3 billion in 2018 to R579 million in 2019.

Gross written premiums at **Santam** increased by 8%. Motor and property, which contributes 68% of total gross written premiums, increased by a combined 6% in a challenging environment of low economic growth and competitive pressures. Motor business increased by 4%. Strong growth at MiWay of 10% was tempered by marginal growth in the intermediated commercial book. Property business grew by 9%, following good growth at Santam Re, Niche and Commercial. Engineering (20%) and alternative risk business (14%) also reported strong growth.

Sanlam Corporate grew its new business volumes by a strong 14% from a high base in 2018 that included a few large mandates. Both recurring and single premium business increased strongly. The umbrella fund and non-life investment lines of business contributed most of the growth.

Overall net fund inflows of R56,8 billion in 2019 is a particularly satisfactory performance given the challenging market conditions.

Business volumes for the year ended 31 December 2019

	New business			Net inflows		
R million	**2019**	**2018**	△	**2019**	**2018**	△
Sanlam Personal Finance	**61 813**	60 971	1%	**9 593**	10 294	(7%)
Sanlam Emerging Markets	**34 809**	26 224	33%	**11 239**	8 607	31%
Sanlam Investment Group	**113 236**	99 696	14%	**21 221**	7 214	194%
Santam	**24 227**	22 812	6%	**9 146**	8 986	2%
Sanlam Corporate	**15 238**	13 326	14%	**5 567**	6 438	(14%)
Total	**249 323**	223 029	12%	**56 766**	41 539	37%
Covered business	**53 927**	53 815	–	**15 989**	16 814	(5%)
Investment business	**155 565**	136 529	14%	**25 596**	11 779	117%
General insurance	**39 831**	32 685	22%	**15 181**	12 946	17%
Total	**249 323**	223 029	12%	**56 766**	41 539	37%

Value of new covered business

The discount rate used to determine VNB is directly linked to long-term interest rates. The 20bps and 50bps decrease in the South African nine- and five-year benchmark rates respectively in 2019 compared to the end of 2018 resulted in a commensurate decrease in the risk discount rate, with a 4.,6% positive impact on VNB growth. Changes in mix of business, good cost control and pricing initiatives supported an overall increase in VNB margins.

Net VNB increased by 15% at actual interest rates and by 10% on a comparable economic basis (CEB).

SPF achieved overall growth of 17% (12% on a comparable economic basis). Sanlam Sky VNB grew by 24% (17% on a comparable economic basis), supported by the exceptional Capitec Bank funeral business performance as well as the strong growth in individual life new business written through the traditional intermediated channel. The comparative base includes Capitec Bank credit life VNB of R36 million that did not repeat in 2019. Recurring premium cluster VNB rose by 34% (26% on a comparable economic basis), benefiting from repricing implemented in 2018, a favourable change in mix of business, a solid increase in BrightRock, MiWayLife and Sanlam Indie's contribution and some actuarial basis changes. Glacier's VNB declined by 8%, reflective of its new business performance.

Net VNB at **SEM** increased by 1% (down 2% in constant currency). Namibia, Botswana and Malaysia achieved credible growth of 9%, 20% and 64% respectively. Namibia and Malaysia's performance is largely in line with the growth in new life business volumes. Botswana's VNB growth benefited from the weaker average rand exchange rate as well as the good Group funeral business sales. Despite good growth in Kenya's life business, it still lagged expectations with a reduction in policy count placing pressure on acquisition and maintenance unit costs. Nigeria's VNB contribution was impacted by negative economic assumption changes and declined by 28%. India's 20% decline in VNB is attributable to the lower new business volumes and the inclusion of distribution expansion costs. Margins in Morocco and Cote d'Ivoire declined due to a change in mix to less profitable group business in Morocco and negative modelling changes in Cote d'Ivoire. Lebanon VNB also declined, reflective of the weak life new business performance.

Sanlam Corporate's VNB increased by 22%, the combination of strong new business growth and product mix.

Value of new covered business for the year ended 31 December 2019

R million	2019	2018	Δ	CEB
Net value of new covered business	**2 280**	1 985	15%	10%
Sanlam Personal Finance	**1 763**	1 504	17%	12%
Sanlam Emerging Markets	**343**	338	1%	(3%)
Sanlam Investment Group	**–**	–	–	–
Sanlam Corporate	**174**	143	22%	23%
Gross of non-controlling interest	**2 542**	2 187	16%	12%
Net present value of new business premiums	**76 446**	74 378	3%	3%
Sanlam Personal Finance	**49 269**	48 790	1%	–
Sanlam Emerging Markets	**10 242**	8 366	22%	21%
Sanlam Investment Group	**3 410**	3 334	2%	2%
Sanlam Corporate	**13 525**	13 888	(3%)	(3%)
Gross of non-controlling interest	**81 540**	78 085	4%	4%
Net new covered business margin	**2,98%**	2,67%		2,88%
Sanlam Personal Finance	**3,58%**	3,08%		3,44%
Sanlam Emerging Markets	**3,35%**	4,04%		3,24%
Sanlam Investment Group	**–**	–		–
Sanlam Corporate	**1,29%**	1,03%		1,30%
Gross of non-controlling interest	**3,12%**	2,80%		3,00%

Capital management

Discretionary capital

The Group started the year with negative discretionary capital of R3,7 billion, after payment for the Saham acquisition. A number of transactions during 2019 affected the balance of available discretionary capital, which amounted to R220 million at 31 December 2019.

Discretionary capital at 31 December 2019

R million	2019
Discretionary capital at 31 December 2018	(3 678)
Excess dividend cover	380
Excess investment return - Sanlam Life	391
Release of surplus capital	593
Sanlam Personal Finance	211
Sanlam Emerging Markets	382
Capital raised – cash component	4 450
Total capital raised	7 794
Net vendor funding	(2 997)
Dividends paid in respect of new shares	(347)
Investment return and other	51
Corporate activity	(1 967)
South Africa	(331)
Other emerging markets	(1 022)
Developed markets	(614)
Discretionary capital at 31 December 2019	**220**

Movements in discretionary capital during 2019 included the following:

- The excess cash operating earnings cover in respect of the dividend paid in 2019.
- Investment return earned on the Sanlam Life capital base was released to discretionary capital.
- Capital of R593 million was released from the SPF and SEM operations. The ongoing consolidation of Sanlam Sky business onto one life licence released R211 million. This was augmented by a R382 million release of allocated capital from SEM's Namibian operations. Capital optimisation remains a focus area within SPF and SEM, with further releases expected in 2020.
- Discretionary capital of R4,5 billion was raised through the 5% B-BBEE share issuance in the first half of 2019.
- Corporate activity utilised a total of R2 billion:
  - Investments in South Africa relate to the capitalisation of African Rainbow Life (R152 million), the acquisition of shares from BrightRock minorities (R36 million) and a number of smaller transactions within SIG.
  - The majority of the deployment in other emerging markets relate to R806 million utilised for the capitalisation of insurers in the CIMA region following an increase in minimum regulatory capital levels across the region, an increase in the effective shareholding in Angola from 60% to 70% and costs incurred in the restructuring of the Saham statutory structure to optimise future capital and dividend flows. R167 million was also utilised for a payment to Santam to reduce its economic interest in SEM's African general insurance businesses (excluding Namibia and Saham Finances) from 35% to 10%.
  - Sanlam UK concluded the following acquisitions:
    - Blackett Walker, an advice and asset management business, for R68 million in line with its strategy to grow its distribution reach and achieve economies of scale.
    - The Thesis Group's private client business, distribution network, direct support teams and Pallant, its financial planning business, for a total consideration of GBP35 million. The initial payment amounted to GBP28 million (R521 million). Thesis has a significant presence in the south of England, with GBP1,2 billion of assets under management and a team of 30 investment professionals. The transaction increased Sanlam UK's private client discretionary assets under management to GBP4,2 billion. The remaining purchase consideration is payable in two tranches within 18 months from effective date subject to assets under management retention.
    - As part of its IFA strategy, Sanlam UK acquired a 55% stake in Avidus Scott Lang & Co (ASL) for a total consideration of GBP2,2 million. The initial payment amounted to GBP1,3 million (R25 million), with the remainder payable in a number of tranches up to June 2021 based on performance targets. ASL is a financial advisory business based in Sale, to the South of Manchester.
- Investment return earned on the discretionary capital portfolio and other small movements added R51 million.

Solvency

All of the major life insurance businesses within the Group were sufficiently capitalised at the end of December 2019. The Sanlam Group SCR cover ratio remained at a healthy level of 211%. The SCR cover for the Sanlam Life Insurance Limited (Sanlam Life) covered business of 206% at 31 December 2019 remained at the upper end of the target cover range of between 170% and 210%. The SCR cover ratio for the Sanlam Life entity as a whole at 253% exceeded the covered business ratio at the end of December 2019 due to the inclusion of discretionary and other capital held on the Sanlam Life balance sheet as well as investments in Santam and other Group operations that are not allocated to Sanlam Life's covered business operations.

Dividend

Applying the Group's dividend policy, the Board decided to increase the normal dividend per share by 7,1% to 334 cents. This is well within our target range of 2% to 4% real growth over a three-year rolling period. It will maintain a cash operating earnings cover of approximately 1 times.

The South African dividend withholding tax regime applies in respect of this dividend. The dividend will in full be subject to the 20% withholding tax, where applicable, which will result in a net final dividend, to the shareholders who are not exempt from paying dividend tax, of 267,2 cents per share. The number of ordinary shares in issue in the Company's share capital as at the date of the declaration is 2 069 106 282 excluding treasury shares of 274 231 765 at 31 December 2019. The Company's tax reference number is 9536/346/84/5.

Shareholders are advised that the final cash dividend of 334 cents for the year ended 31 December 2019 is payable on Monday, 20 April 2020 by way of electronic bank transfers to ordinary shareholders recorded in the register of Sanlam at close of business on Friday, 17 April 2020. The last date to trade to qualify for this dividend will be Tuesday, 14 April 2020, and Sanlam shares will trade ex-dividend from Wednesday, 15 April 2020. Share certificates may not be dematerialised or rematerialised between Wednesday, 15 April 2020 and Friday, 17 April 2020, both days included.

CLUSTER REPORT: SANLAM PERSONAL FINANCE

About SPF

SPF accompanies clients through their financial lives by providing retail life and investment solutions – all towards the desired outcome of creating, growing and protecting wealth. The advice process is geared to ensure that advisers and brokers properly understand and meet clients' needs.

The cluster consists of the following:

- Product-focused businesses, encompassing single premium, recurring premium risk, recurring premium savings and funeral solutions
- Distribution, which provides access to and builds relationships with clients through omni-channel capabilities
- A central shared services unit
- Strategic Business Development, Human Resources, Actuarial and Finance

SPF is the largest cluster in the Group, with a 44% contribution to net result from financial services and 33% to GEV.

Key strengths

- SPF has a well-established distribution network consisting of 7 880 advisers and 4 780 supporting brokers (including BrightRock) throughout South Africa. They receive dedicated support to market SPF products to all income groups.
- This network is enhanced through distribution partnerships with a variety of organisations that include Capitec and, most recently, MTN.
- SPF has strong, competitive products in every product category – from single-premium investments to savings and funeral products. These are complemented by innovative alternative offerings that include MiWayLife, Sanlam Indie and BrightRock.
- SPF achieves efficiencies and transforms its business through business intelligence, robotics and omni-channel capabilities.

Strategic intent: to become a leader in all retail market segments in South Africa

SPF pursues profitable growth in each of its market segments through innovation and expanded distribution capabilities that enhance new business and deliver superior client retention. Specific focus is placed on those segments where Sanlam does not have a fair market share.

Innovation leverages digital and data analytics to produce simpler client journeys. Refinement of distribution channel models and further capital optimisation will continue in response to regulatory developments. Delivering value for money in a wider and differentiated product set is key for client acquisition. This requires agility and speed of execution.

Enhanced digital capability is also harnessed to drive client experience and retention, as well as back office cost efficiencies. Continued progress in transformation of employee and management demographics remains a priority and a competitive enabler.

SPF

R4 265 million
Net result from financial services
(2018: R4 033 million)

44%
Contribution to Group net result from financial services
(2018: 45%)

4,1%
Persistency (Risk, Savings, Life Investments and Closed Book) – % in-force lost
(2018: 5,4%)

6 250
Number of employees
(2018: 6 224)

7,39 out of 12
Employment equity indicator
as defined in FSC
(2018: 7,33)

SPF's five strategic focus areas

Product leadership	Keep products simple, valuable and outcomes-driven
Customer experience	Create intuitive client journeys
Channel development	Put the client at the centre through omni-channel transformation and evolving intermediary models
Operational excellence through continuous improvement	Continuously improve and deliver value for money through operations
Talent and transformation	Be the employer of choice and continually drive diversity and dynamism

2019 operational performance overview

South Africa's subdued economic and investment environment placed strain on the retail financial services industry. This resulted in lower productivity among advisers and brokers, which impacted sales. Despite this, SPF delivered a solid performance underpinned by accelerated growth from the cluster's various new ventures and initiatives that includes digital and direct offerings.

These successes in a tough trading environment are testimony to SPF's ability to differentiate itself from competitors and create compelling new value propositions for clients and intermediaries. Digital transformation remains a critical growth capability, underpinned by a continued focus on creating access to and developing responsible financial solutions

Sanlam Sky

Sanlam Sky focuses on funeral insurance business

Sanlam Sky's traditional intermediated individual life channel continued to perform well, augmented by the biennial renewal of the Zionist Christian Church (ZCC) scheme. The annual reinsurance arrangement for the Capitec Bank credit life business was not renewed effective 1 May 2019. However, Capitec Bank funeral product sales continued to show strong growth – exceeding 1 million policies sold during 2019. Key success factors of the Capitec Bank product are:

- A simple product with unique benefits clients can understand
- An affordable solution with some of the most competitive rates in the industry
- Broad accessibility through 850 Capitec Bank branches and the Capitec Bank mobile app
- Strong face-to-face capability with a low cost, paperless acquisition process
- The ability to leverage SPF's insurance competence to offer clients real value

African Rainbow Life began conducting business in the second half of 2019. The business is worksite-based and offers a full range of funeral, life cover and savings solutions. It is focused on the underserviced lower to middle-income market segment, small and medium-sized businesses as well as informal groups. This provides further reach into the entry-level market.

Through Sanlam Sky, the Group continues to contribute to the government-led Youth Employment Services (YES) initiative launched in 2018. During 2018 Sanlam Sky registered 157 YES learners for workplace experiential learning. This year 148 Sanlam Sky YES learners were welcomed across the Individual Life, Group Benefits, African Rainbow Life and Safrican businesses.

Recurring premium sub-cluster	***The recurring premium sub-cluster is responsible for all recurring premium risk and savings business. Single premium sales to the recurring premium client base is also included.*** The recurring premium sub cluster is primarily focused on the middle-income market. Its performance reflected the pressure on disposable income in this highly-competitive consumer segment, with new business volumes only marginally up on 2018. MiWayLife made a meaningful contribution to VNB. BrightRock's focus on implementing projects to increase capacity is enabling the business to scale up and grow. Key areas include automation, efficiency and systems development to support existing markets and potential new markets. Indie sales escalated strongly following the rebrand of the business to Sanlam Indie, which boosted its credibility and position within the market. Enhancing its digital direct business remains critical for the cluster. Linked to this is the partnership with MTN that was announced in July 2019. This will enable SPF to make Sanlam Indie's "digital-first" range of innovative and inclusive financial services available to MTN customers in South Africa who prefer to transact digitally. Financial services will initially include funeral cover and a range of life insurance products.
Glacier	***Glacier incorporates single premium life investments and the Linked Investment Savings Plan platform (LISP)*** Glacier is one of the leading LISP platforms in the South African market and excels in its technology, service and leading investment solutions. It has a unique positioning as it blends a LISP offering with guaranteed-type capabilities. Glacier experienced improved life and non-life new business sales in the second half of the year. Within a low growth environment, the business is actively seeking to defend market share and expand to new markets. To support this goal, Glacier is focusing on key strategic areas that include, among others, product innovation, international business expansion and a middle market focus. In June 2018, Glacier launched Glacier Invest in partnership with SIG to help financial intermediaries manage investment portfolios and create efficiencies in their practices. It is currently the largest discretionary fund manager (DFM) in South Africa by assets under management and continues to gain good traction. Most large retail platforms do not offer exchange-traded funds (ETFs) as direct investment options. In partnership with Satrix and Easy Equities, Glacier is making a range of ETFs available on its platform. This is part of Glacier's joint venture with SIG and should strengthen its position by providing investors with more options to build cost-effective and diversified portfolios. Glacier also launched the Wealth Edge Endowment Plan in July 2019. This is a five-year investment solution that offers a boost to the initial investment amount, a reward for staying invested and optional protection to limit losses in a declining market.
Strategic business development	***Strategic business development focuses on Sanlam Personal Loans and Sanlam Reality, and is an incubator for new initiatives*** Sanlam Reality is the **second-largest loyalty programme** in the South African health and insurance sectors. During the year, Sanlam Reality launched the Sanlam Money Saver credit card as a further way to encourage financially responsible behaviour through saving. It is the only credit card to give clients up to 5% as a cash-back bonus at no extra cost. This offers significant value as most loyalty cards yield less than 1% for 80% of members. Fees are also kept as low as possible and credit is offered up to 55 days' interest free. There are no caps, tiers or levels of discounts depending on a member's status and offers a simple way to get maximum cash-back. Together with Sanlam Employee Benefits (SEB), Sanlam Reality now offers Sanlam Group Risk (SGR) clients a new loyalty solution called Reality Access – a loyalty programme that rewards members for living a financially responsible life. Members are also provided with information, articles, calculators and tools to empower them to make the most of their money. Benefits for SGR clients include, among others, 24/7 emergency medical response; burial and funeral support; legal assistance; and trauma, assault and HIV assistance. In addition to these value-added services, the partnership helps to ensure SGR clients are appropriately informed. Sanlam Personal Loans had a good year, growing its loan book by 14% while maintaining quality.

Read more about SPF's financial performance in the Financial Review from page 75.

Case study: Financial inclusion through stokvels

Sanlam and The National Stokvel Association of SA (NASASA) created an opportunity for stokvels to formalise their existence without having to forego their traditions. This means that each member of a stokvel will be protected in their time of need.

NASASA is a self-regulatory organisation with a database of 125 000 stokvel groups, reaching about 2,5 million individuals. Sanlam and NASASA launched NASASA Financial Services Proprietary Limited – a brokerage to foster broader financial inclusion for all members.

NASASA Financial Services distributes tailor-made products nationally via its distribution force. Sanlam, as underwriter through NASASA Financial Services, will initially offer group-based funeral benefits, tailored to each individual type of stokvel. This includes a full product for burial stokvels, covering up to nine family members. The products are competitively priced, with each stokvel paying one premium based on the option selected.

Examples of new solutions

Winning through digital innovation

At SPF, digital innovation is increasingly focused on how the cluster can innovate and leverage technology to better equip intermediaries, enhance client interaction and facilitate ease of doing business to ensure a seamless, agile and responsive client experience.

Sanlam was the first South African insurer to join Plug and Play, the world's largest global innovation platform, as a core insurtech partner. SPF uses Plug and Play to create proofs of concept that use digital technology to enhance the delivery of intermediary value-adds. This is based on clients' requirement to switch seamlessly between their intermediary and Sanlam according to their circumstances.

SPF hosted its second annual Innovation Day in 2019, where the cluster immerses itself in the latest thinking from global experts and partners like Google, Facebook and Plug and Play. SPF also showcases digital developments at Sanlam, which form the foundation of the Group's future competitive advantage – whether in sales, client experience, operational efficiency or analytics.

Sanlam Sky launched a WhatsApp channel that operates 24/7 and offers digital services and interactive voice response. For clients this is the most comfortable and convenient communication platform. The channel is cost-effective as data for WhatsApp is cheaper than airtime. Clients in remote areas can access all services more affordably, engage more frequently and have an overall improved client experience.

Sanlam Sky

Sanlam Now

Launched in April 2019, Sanlam Now has been digitally enhanced to improve the ease of doing business for intermediaries using the app. In addition to being able to complete a client's application for death and disability cover in as little as 15 minutes, the platform now follows an 'agile' approach. This means that enhancements are constantly rolled out and feedback is used to refine and improve the tool according to the needs of the market and intermediaries. No similar intermediary-empowering product currently exists locally or internationally.

Sanlam's Secure Services portal enables clients to view their portfolios, statements and personal information online. This facilitates quick and effective engagement and relieves the administrative burden on intermediaries who are then better positioned to assist with more focused financial planning. To date there are around 300 000 registered users of the portal, of whom 90% have SPF products in their portfolio.

All payments, contracting and expenses for intermediaries in SPF Distribution are now being done using the new SanPay system, which was launched in July 2019. This system helps boost accounting and calculation capacity within the cluster. SanPay is capable of handling 76 000 commission accounts per month, which amounts to more than 50 billion accounting transactions per year.

SPF introduced robotics in selected business areas to improve its client and intermediary experience, increase value and reduce costs. Robotics will augment and strengthen Sanlam's workforce and free up people to do more meaningful work. Robotics is also being used to see how the cluster can automate standard processes to improve the client and intermediary experience while lowering the cost of execution.

The targeted outcomes are:

- Significant improvement in service level agreements
- Enhanced experience by combining humans and bots
- Improved quality at speed
- Enablement of a broader digital strategy
- Reduced costs
- Enabling people to do more meaningful work

A new Key Accounts Management System (KAMS) will be launched in 2020 to assist with product governance and quality management. KAMS will provide personalised client profiles with relevant data including financial investments and intermediary detail. This data will roll up into key performance metrics such as event attendance, leads generation and employee penetration rates, return on marketing investment multiples and persistency rates. Managers will be able to use the data to make strategic and tactical decisions that optimise revenues from their key account portfolios. The system will promote collaboration by facilitating communication between key account managers within and across regions and channels. This will ensure economies of scale and learning – if employees change roles, new incumbents can take over existing client profiles to ensure proper succession planning and continued service.

The SPF-led leadership programme in innovation and design thinking continued. Presented in conjunction with the University of Cape Town's Graduate School of Business and UCT Design School, the Advanced Leadership Certificate in Design Thinking is designed to develop a well-rounded, consummate manager or specialist who can define and solve complex business problems sustainably, creatively and innovatively, with the client at the centre. The learning experience enhances individual and collective ability, drawing on the latest trends, research and methodologies, and is relevant to the broader Sanlam Group. The individuals who attended the programme will assist in the establishment of a design thinking approach in the Group. Since 2018 the programme has been presented to around 96 delegates from across the Group, including ±50 members of Sanlam's leadership team.

Empathy	Gather information through interviews, observation, or first-hand experience. Keep an open mind and just listen.
Define	Narrow it down and describe the specific problem you're trying to solve.
Ideate	Working within a time limit, hold a blue-sky brainstorming session. No idea is too impossible to write down.
Prototype	Using whatever materials are at hand, quickly throw together models of your ideas.
Test	Take your prototypes to the end users and listen to their honest feedback, then repeat steps 4 and 5.

Read more about the various talent and career development programmes offered at SPF on the Sanlam Sustainability Portal: www.sanlam.com/investorrelations/sustainability/

Strategic short- to medium-term priorities

Moving into 2020, the cluster will focus on the following areas of strategic development:

Client experience and engagement

Operational efficiency and value for money

Sanlam Sky	Individual Life	Savings	Glacier	Personal Loans
Continue to expand SPF's multi-channel footprint by: • Increasing sales and productivity through an improved worksite offering • Deepening strong affinity partnerships (with Capitec, MTN and others) • Technology-enabled distribution	Drive multi-brand innovation and enhance ease of doing business	Focus on: • Client loyalty and retention • Competitive costs and efficiency • RDR readiness • Simplification	Further enhance the full suite of integrated investment solutions, in co-operation with SIG	Grow client penetration within set risk parameters

Advice and distribution footprint

Digital transformation – data-driven decision making, digital adoption by intermediaries and new digital client platforms

On digital transformation in particular, SPF will focus on:

- delivering further value from digital direct sales in MiWayLife and Sanlam Indie;
- investing in agile and cross functional teams to implement client and intermediary experience enhancements;
- advancing the digital back office and target architecture journey;
- working with other clusters and the Group Office to achieve alignment on digital transformation;
- accelerating opportunities for data-driven decision making; and
- investing in opportunities for product simplification and conversion to address legacy systems and eliminate complexity.

Resilience focus areas

www.sanlam.com/investorrelations/sustainability/

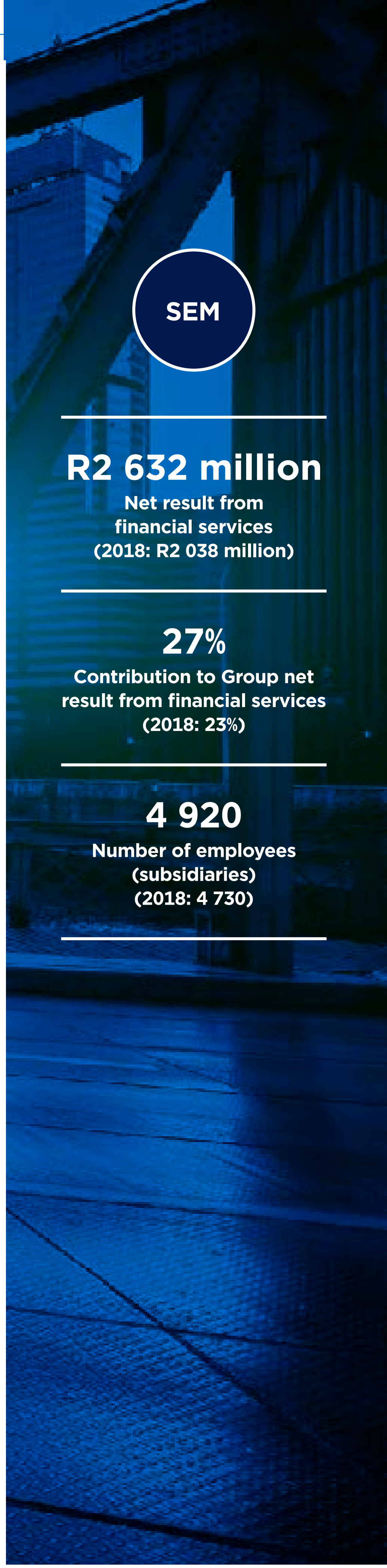
CLUSTER REPORT: SANLAM EMERGING MARKETS

About SEM

The SEM cluster is responsible for Sanlam's business services (life insurance, general insurance, health, retail credit, asset management and specialist general insurance offerings) in emerging markets, outside South Africa. SEM leverages its expertise and experience at a cluster level to provide a wide range of support services and resources to its in-country operations, which in turn provide clients with innovative financial solutions. Additional capacity and technical expertise are sourced from Santam, SPF and SIG as necessary.

SEM contributed 27% to the Group net result from financial services and 28% to GEV, making it the second largest cluster in the Group.

Strategic intent: to be a leading Pan-African financial services group, complemented by a meaningful presence in India, Malaysia and Lebanon
Leading • Market development • Governance and ethics • Thought leadership
Pan-African footprint • Strong local businesses • Comprehensive and relevant footprint
Go-to partner • Multinationals • Other strategic alliances
Client centricity • Relevant brand and products meeting client needs
People • Employer of choice • Employ the best talent • High performance culture



SEM

R2 632 million
Net result from financial services (2018: R2 038 million)

27%
Contribution to Group net result from financial services (2018: 23%)

4 920
Number of employees (subsidiaries) (2018: 4 730)

SEM's key focus is to leverage its expanded footprint through profitable organic growth of its existing businesses, focusing on key markets. Our unmatched Pan-African footprint provides a unique opportunity to be the go-to partner for multinational corporate clients and intermediaries, and to enter into strategic alliances with other distribution partners. This is augmented by strong local businesses and an in-country retail and corporate focus that enables us to provide a complete suite of products for all clients in different markets. The SEM group office provides in-country business partners with expanded central support capabilities to execute initiatives. This is underpinned by a strong focus on delivery and fostering a high-performance culture.

Increased regulatory capital requirements in some markets may lead to market consolidation and we will continue to pursue structural growth opportunities as these arise. To enhance our footprint, the short-term focus for Ethiopia and Egypt is to partner with a local company as a product and technical skills provider, which could result in equity shareholding. However, the latter is not an immediate priority.

SEM at a glance

SEM consists of the following entities

SEM Group Office

Functional support teams, based in Cape Town, Johannesburg and Casablanca – including:

- finance and reporting
- risk & compliance
- operations & IT
- HR
- corporate services
- mergers & acquisitions

SPA Life Insurance

23 life insurance businesses in 23 countries (20 subsidiaries and 3 associates) – including:

- 4 asset managers
- 2 retail credit businesses

SPA General Insurance

26 general insurance businesses in 26 countries (22 subsidiaries and 4 associates) – including:

- 18 assistance businesses
- 15 health businesses
- 8 reinsurance operations)

Middle East/Asia

7 businesses in 3 countries (2 subsidiaries and 5 associates) – comprising:

- 2 life insurers
- 2 general insurers
- 1 composite insurer
- 2 retail credit businesses)

Which serve the following countries

Sanlam Pan-Africa				Sanlam ME/Asia
7 countries (Southern Africa)	5 countries (East Africa)	2 countries (Anglophone West Africa)	18 countries (Francophone North and West Africa)	3 countries (Lebanon, India and Malaysia)

With a range of existing products

Life insurance	General insurance
Health	Reinsurance
Specialist Insurance	Specialist Insurance
Assistance businesses	Asset management
Retail credit	

Through our distribution partners

Brokers	Bancassurance	Telcos
Tied agents	Direct	Aggregators

To the following clients

Retail	Commercial
Institutional	Corporate

An overview of SEM's operating model

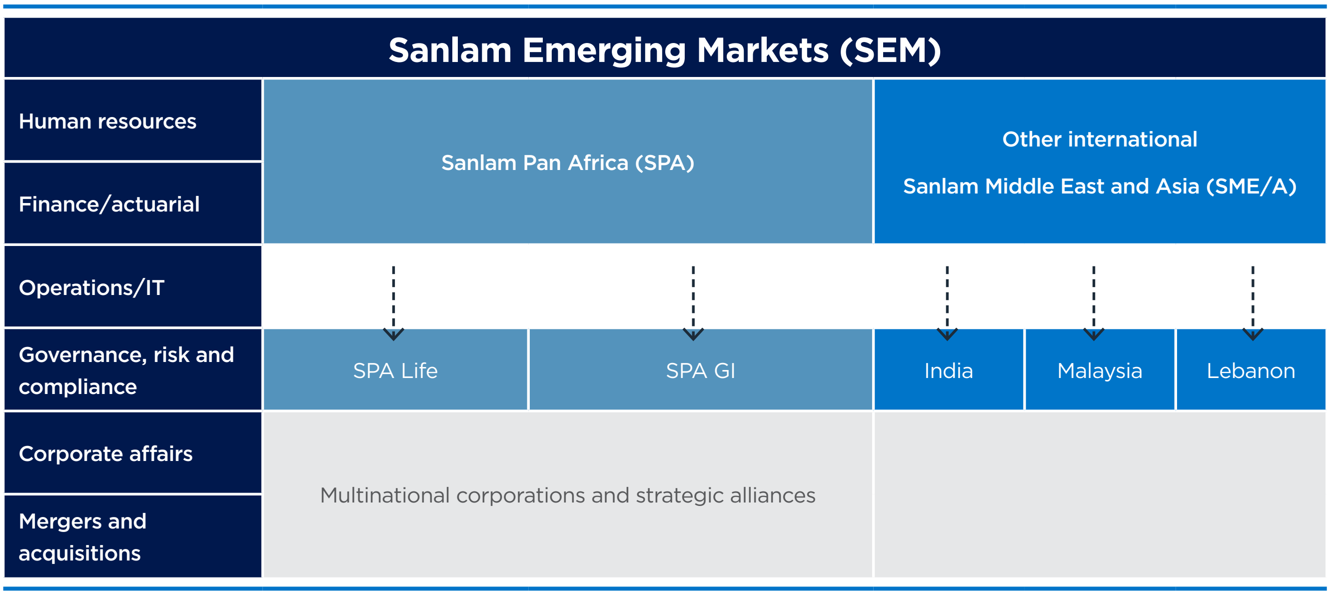
> **SEM is a complex cluster with great opportunities as well as challenges, which means we need to prioritise and focus on those aspects of the business where value can be extracted.**

SEM underwent a major transformation following the acquisition of the remaining 53% stake in Saham in October 2018. This included the ongoing onboarding of the Saham businesses in the short term as well as facilitating the transition to a new operating model. Sanlam Pan Africa (SPA) was established as a sub-cluster to create focus on our African operations, comprising two vertical lines of business: a general insurance line, which includes health and assistance, and a life insurance line, which includes asset management and retail credit. The Other International sub-cluster comprises our India, Lebanon and Malaysian businesses. Both sub-clusters are supported by a reconfigured SEM Group Office to remove unnecessary duplication of support functions.

Implemented in 2019, this operating model enables SEM to manage the complexities of the African and other international businesses and its widespread operating base. Importantly, it enables us to optimise capital allocation and enhance operational efficiency, which is critical if we are to meet the required returns on investment.

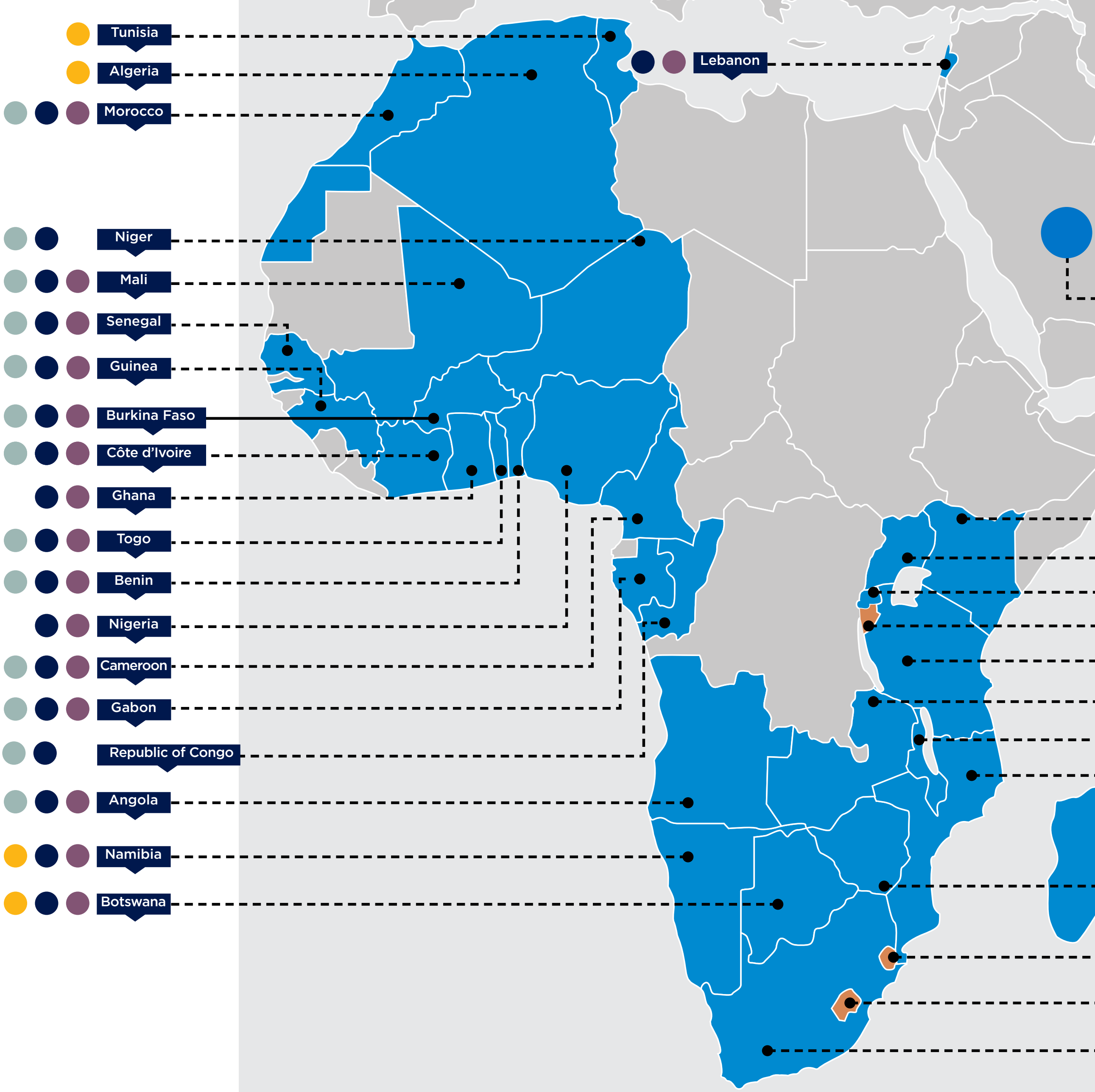
To grow the specialist general insurance lines in Africa, we partner with Santam who provides expertise and technical support. Good progress was made to bed down effective reporting structures and systems for collaboration between Santam specialist businesses and SPA GI.

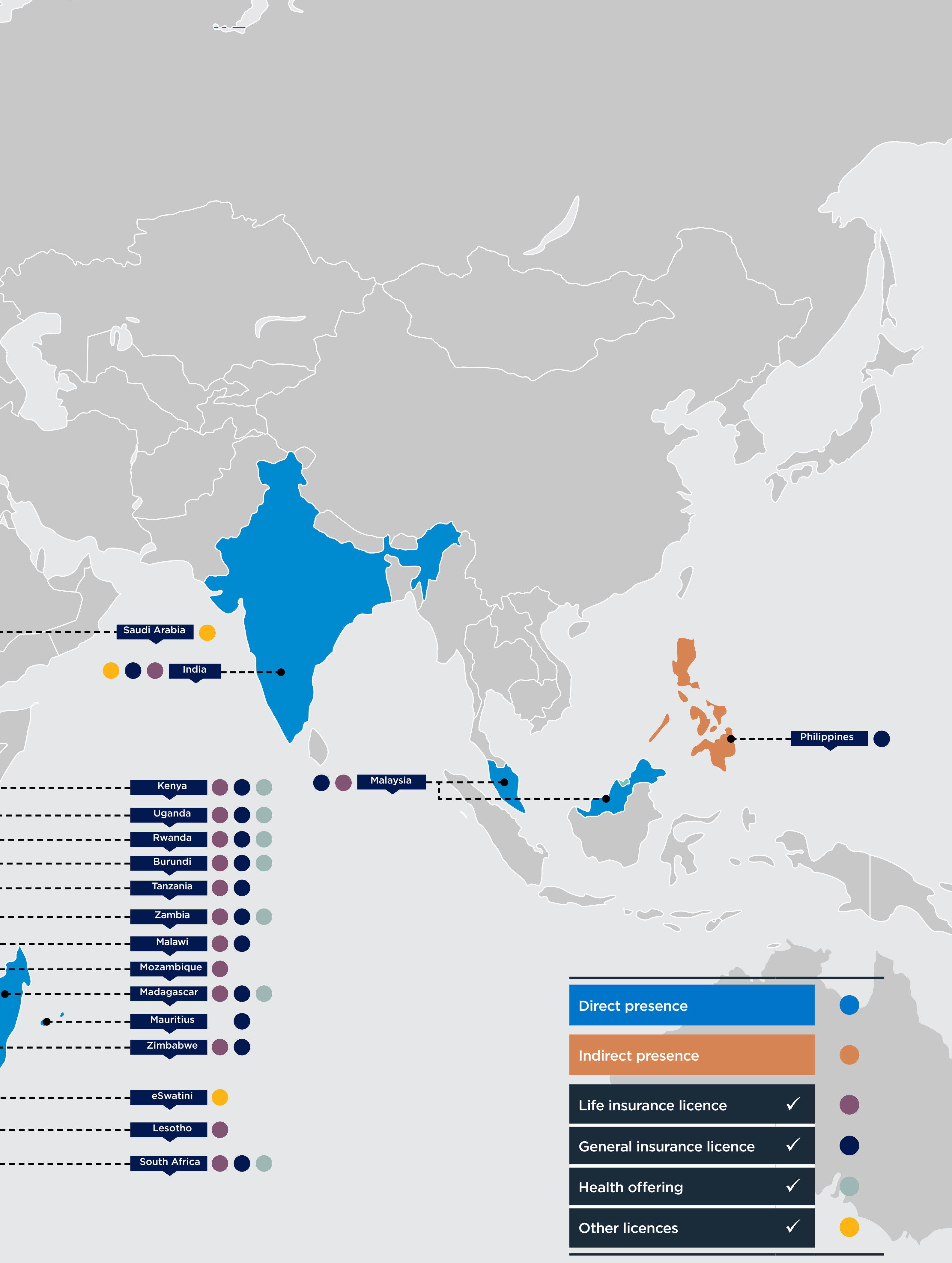
We will continue to support all our businesses in the various markets. However, given the geographic diversity as well as market maturity and growth potential, we have identified 10 countries within our portfolio that will receive prioritised focus. In Africa these countries include Morocco, Côte d'Ivoire, Nigeria, Kenya, Angola, Botswana, Namibia and Mauritius (focusing on reinsurance and specialist businesses, Saham Re and Continental Re). In the Middle East and Asia, India and Lebanon (due to its relative market size) will be our priority markets.



A key focus is on driving profitable organic growth of our in-country businesses. However, an additional opportunity to grow our general and life insurance portfolios is leveraging our footprint to offer a one-stop service to multinational companies, brokers and insurers. In particular, strategic alliances with bancassurance partners, telecommunication companies and aggregators offer strong distribution channels across the continent.

Our business presence in emerging markets



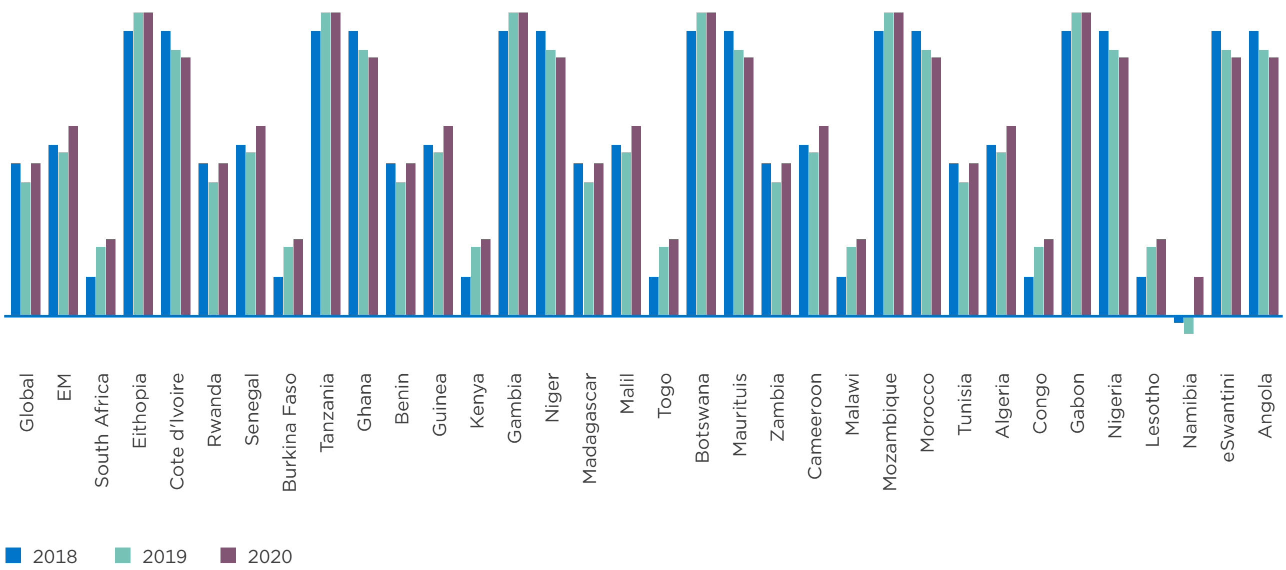

Saudi Arabia
India
Malaysia
Philippines
Kenya
Uganda
Rwanda
Burundi
Tanzania
Zambia
Malawi
Mozambique
Madagascar
Mauritius
Zimbabwe
eSwatini
Lesotho
South Africa
Direct presence
Indirect presence
Life insurance licence ✓
General insurance licence ✓
Health offering ✓
Other licences ✓

The SEM opportunity

Africa's economic, technological and infrastructural growth potential presents a significant business opportunity. Importantly, GDP growth in most of the African countries where we operate exceeded that of South Africa in the last five years. Many also outperform developed and other emerging markets in the rest of the world.

Pan-African GDP growth

Driving accelerated organic growth over the medium to long term



This complements the diversification created by SEM for the Sanlam Group as the spread of markets, products and product lines across different growth regions contributes to resilience and risk mitigation. Our focus on standard system implementation, regulatory compliance, financial management and actuarial expertise strengthens the cluster's in-country operations. The ability to transfer skills to those markets and standardise offerings creates value for business units, employees, clients and broader society.

The growth opportunity is predicated on low insurance penetration and Africa's demographic dividend, underpinned by a growing labour force, rapid urbanisation as well as a burgeoning middle-class in many markets with increasing disposable incomes and demand for goods and services.

In the Other International sub-cluster, the India and Malaysia economies are forecasted to continue with robust GDP growth going forward.

We are well positioned to increase insurance penetration and uptake as the cluster is gaining a deeper understanding of client insights and needs across different markets. We further adopt a client centric approach to product design and our distribution channels are effective and resilient. Regulatory changes unfolding on the continent further support the insurance business proposition.

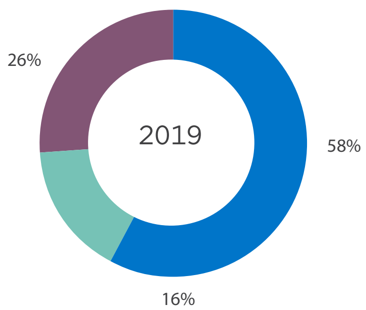
Outside of South Africa, general insurance has a higher penetration rate than life insurance. While opportunities exist across both lines, there is a longer-term opportunity for us to grow our life portfolio by increasing and optimising distribution and launching new products. In particular, Sanlam's deep life insurance expertise positions us well to grow this line of business, which spans across a number of markets with favourable demographic profiles, strong economic growth prospects and low insurance penetration. This includes North and Francophone Africa, which are currently predominantly focused on general insurance.

Our African footprint

Market share target: Top 3 Africa, Top 10 India and Malaysia

Life insurance Market share/Position	Country and effective interest (Life)	Country	Country and effective interest (General)	General insurance Market share/Position
68.0%/1	68%	Tanzania	50%	3.0%/12
63.0%/1	60%	Botswana	60%	23.8%/2
59.0%/1	100%	Rwanda	100%	20.0%/1
42.0%/2	57%	Malawi	57%	35.0%/1
29.0%/1	70%	Zambia	57%	10.3%/4
27.0%/1	100%	South Africa	62%	22.0%/1
25.0%/2	59% -100%	Namibia	37%	37.0%/1
25.0%/2	56%	Mozambique	-	-
15.0%/3	47%	Cote d'Ivoire	47%	25%/1
15.0%/4	99%	Uganda	82%	16.4%/2
10.6%/4	38%	Lebanon	38%	5.0%/7
14.0%/3	35%	Nigeria	35%	2.0%/18
5.0%/7	57%	Kenya	39%	2.0%/18
7.7%/4	40%	Zimbabwe	40%	15.8%/2
4.0%/6	24%	Morocco	24%	17.6%/1
2.0%/12	51%	Malaysia	49%	2.0%/19
0.7%/17	42%	India	43%	1.2%/19
0.2%	Various	Developed	-	-
-	-	Angola	23%	18.7%/2

Contribution to Group Equity Value at 30 December 2019



SPA Non-Life · SPA Life · Other international (India/Malaysia/Lebanon)

2019 operational performance overview

Performance was characterised by satisfactory growth in new business volumes in most of the SEM operations. Negative impacts included high general insurance claims experience in key Saham markets, the weakening of the Angolan and Zimbabwean currencies, soft topline growth in Kenya as well as pressure on the Lebanese economy and general operating environment, which detracted from portfolio results. The impact of operational challenges in certain markets was mitigated by the geographic diversification of SEM's profit sources.

Onboarding of the Saham businesses remains a priority for SEM. Good progress was made during the year to better understand opportunities and challenges and unlock synergies.

Rwanda and Mauritius were successfully rebranded to Sanlam in 2019 and we aim to rebrand most of our African businesses in 2020/2021. Interventions to build branded subsidiaries' alignment and adherence to the Sanlam Group values and Code of Ethical Conduct continued in 2019. These activities are supported by HR interventions focused on organisational culture, employee engagement, talent attraction and retention and employee development.

With the expanded footprint, SEM's exposure to cyber risks has increased and we have deployed additional security controls to mitigate against future risk.

Several management changes occurred during the year. The Group's previous Financial Director, Heinie Werth, took over as CEO of SEM, with Junior Ngulube moving into the role of SPA Vice-chairman. Emmanuel Brule, was appointed as CEO of SPA GI and Robert Dommisse as CEO of SPA LI. In addition, the compliance and risk management function was strengthened by the appointment of Lizelle Nel to the SEM exco.

Read more about SEM's financial performance in the Financial Review from page 76.

SEM's strategy at a glance

Sustainable and profitable growth			Leverage the footprint			
Profitably grow the general insurance portfolio, including health and assistance	Profitably grow the life business, including asset management and retail credit	Drive growth in specialist classes and reinsurance optimisation in partnership with Santam	Become the go-to partner to multinational and other international distribution partners	Focus on efficiencies and capital optimisation through innovation across the value chain	Solid governance, compliance and risk management	Brand of choice for clients and employees

Underpinned by our business philosophy of client-centricity, a focus on delivery, partnerships, local empowerment, a flexible approach and passionate people.

In the general insurance business, sustainable and profitable organic growth will be achieved by creating significant competitive advantage through digital initiatives and process reengineering that support client-centricity. The Digital Factory, which was launched in Morocco in 2018, remains a key strength in this regard.

In the life business, sustainable and profitable growth will be achieved through integration, building distribution capacity and by addressing operational risks.

To leverage the SEM footprint, we remain focused on becoming the go-to partner to multinationals; realising synergies with Saham and Santam; and driving growth and optimised distribution channels through strategic alliances.

Case study: Current and future leaders for SEM

We introduced a leadership programme for middle and senior managers within our partner companies in 2017. The programme aims to develop the competency of managers in its partner companies by focusing on management and strategy fundamentals that will help employees lead themselves and their teams ethically and effectively and exceed expectations. This year 29 middle and senior managers from SPA's partner companies in Uganda, Kenya, Morocco, Zimbabwe, Botswana, Ghana, Namibia, Zambia, Malawi, Togo and Tanzania completed the Senior Leadership Development Programme.

To bridge the language gap, SEM offers French lessons to Group employees. To date, 38 employees have been rolled in the programme.

The Digital Team of Shriram Life Insurance Company (SLIC) introduced millennials as next-generation sales officers in its ecosystem through its Digital Sales Officers Internship programme. With the current sales force ageing there is an opportunity for a new generation to invigorate the market.

During 2018/2019, 2 000 students were interviewed, of who 800 completed the training programme. Another 1 200 students received training in the first quarter of the 2019/20 financial year. Interns who have shown exemplary performance during the programme have also been offered full-time employment with the company.

Governance commitments

SEM needs to ensure that the values of the Sanlam Group are clearly understood, that all businesses uphold the same sound governance, risk and compliance practices and that each is able to deliver a similar client experience underpinned by the Sanlam Group Business Philosophy. The governance approach to onboarding the Saham businesses continues to focus on board structures, board representation and the roll-out of Sanlam Group governance and compliance policies and frameworks.

Oversight is provided by existing Sanlam and SEM committees that include the Group actuarial forum, the SEM retail credit committee, a general insurance risk forum, a reinsurance oversight committee and a specialist insurance business management committee. An estate and ALCO committee oversees capital and asset management. We commit to compliance with all relevant local regulations and require strict adherence to the tight principles as outlined in the Sanlam Group governance framework.

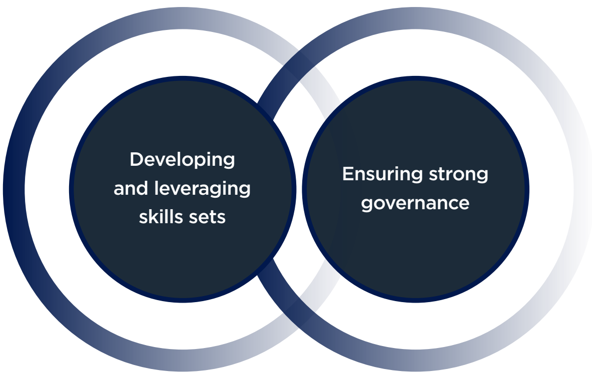
Key activities and actions undertaken during 2019

- We've made good progress in implementing the requisite board structures for all key markets.
- In 2018 PwC concluded a compliance maturity assessment for SEM and subsequently assisted to address gaps. The roll-out to most of the major subsidiaries in SEM countries (apart from Saham) was completed at the end of 2019. A compliance maturity assessment for Saham was completed in May 2019 and key activities for implementation prioritised.
- Significant time and effort went into the roll-out of training and compliance methodology implementation, with additional training and communication through regular newsletters and in-country visits.
- We developed and introduced the SEM Toolkit, which is a list of key information security policies that have been simplified for use in the African businesses. This toolkit makes reference to COBIT 5 and ISO27001 controls. It was created as a minimum standard that all the businesses need to comply with.
- We compiled a Sanlam Pan Africa specialist business underwriting and reinsurance governance framework to address mandates and governance criteria for businesses.
- Reviewed risk-appetite statements and risk registers for key countries and recommended the necessary remedial actions to be taken.
- Completed a risk maturity assessment across all key entities and functional gaps will be addressed in the risk management plans for 2020.

Strategic short to medium-term priorities

- Maintain a strong focus on the 10 key territories identified – this includes bolstering our life, general insurance, assistance and health businesses.
- Ensure effective in-country businesses – this includes ensuring that strong operational controls, good management structures, relevant products and business basics are in place.
- Focus on improved claims management and reserving in the GI businesses.
- Improve investment returns and float/reserve management with the assistance of SIG.
- Ensure capital optimisation across the cluster.
- Increase visibility and brand awareness by continuing to roll out the Sanlam brand with the associated emphasise on the Sanlam Group's values.
- Increase collaboration to achieve a high-performance culture – this means ensuring the best people are in the right jobs and receive the required support.
- Retain focus on governance, compliance, risk management and ethics.
- Improve life distribution, with specific focus on ex-Saham territories.
- Ensure a joint focus with Santam on reinsurance and the specialist business opportunity, in addition to retaining our focus on in-country retail and commercial lines.

Resilience focus areas



www.sanlam.com/investorrelations/sustainability/

CLUSTER REPORT: SANLAM INVESTMENT GROUP

About SIG

SIG is one of South Africa's largest investment management businesses. We are deliberately building out the depth and breadth of our capability beyond traditional active management to offer a comprehensive range of local and offshore investment products to end-investors, financial planners and institutions. Investment options include passively and actively managed unit trusts, hedge funds, segregated portfolios and pooled retirement funds. We are strengthening our alternative capability through real assets, with a focus on impact investing.

The cluster consists of the following sub-clusters:

- Sanlam Investments, which acts as the cluster's third-party asset manager
- Sanlam Specialised Finance (SanFin), which is responsible for managing the Sanlam Group's assets and includes the former Sanlam Capital Markets business
- Sanlam Private Wealth
- International

SIG contributed 11% to the Group net result from financial services and 14% to GEV.

SIG has a leading position in private wealth management in South Africa. It pioneered index-tracking investment capabilities in South Africa with Satrix since 2000. Satrix launched ETFs in South Africa with its flagship Satrix Top 40 ETF. Since then, SIG has launched several new and innovative index-tracking products to meet client needs.

Key strengths

- SIG's longevity and innovation: we have been around for almost a century and have always successfully adapted to investors' needs. For example, we now use an Artificial Intelligence (AI) and machine learning (ML) investment engine as part of our investment solutions. As part of some of our investment solutions, the predictive investment engine analyses and interprets available data to identify and predict evolving market behaviour to supply improved investment outcomes.
- People, teamwork and values: our employees are driven by passion and actively strive to be transparent and innovative.
- A culture of diversity and commitment to growing SIG's own timber: At SIG, transformation is imperative, and internal programmes help develop tomorrow's black investment professionals and business leaders.
- Our robust, tested and proven pragmatic investment process and philosophy: our performance history highlights the success we have achieved for our clients by committing to our investment philosophy.

Strategic intent: growing third-party market share

SIG is defending its leading position in private wealth while building on the success in attracting retail fund flows. The cluster focuses on growing corporate and third-party fund flows, where it does not have its fair market share. Improved cost efficiency is a priority. Transforming the employee profile to reflect South African and client demographics is a specific focus area, and supports the corporate and third-party growth initiatives, with specific emphasis on portfolio management. These initiatives are supported by key drivers: digital innovation in the areas of product development, client experience and value proposition, and intermediary service levels. The proposed B-BBEE transaction, whereby Ubuntu-Botho Investments (UB) will be introduced as an anchor investor in SIG's third-party asset management business, will result in the third-party asset management business becoming black owned. This will position it well to attract new institutional mandates.

SIG

R1 070 million
Net result from financial services
(2018: R1 152 million)

11%
Contribution to Group net result from financial services
(2018: 13%)

R7,8 billion
Invested in empowerment financing in South Africa
(2018: R14,8 billion)

1 743
Number of employees
(2018: 1 483)

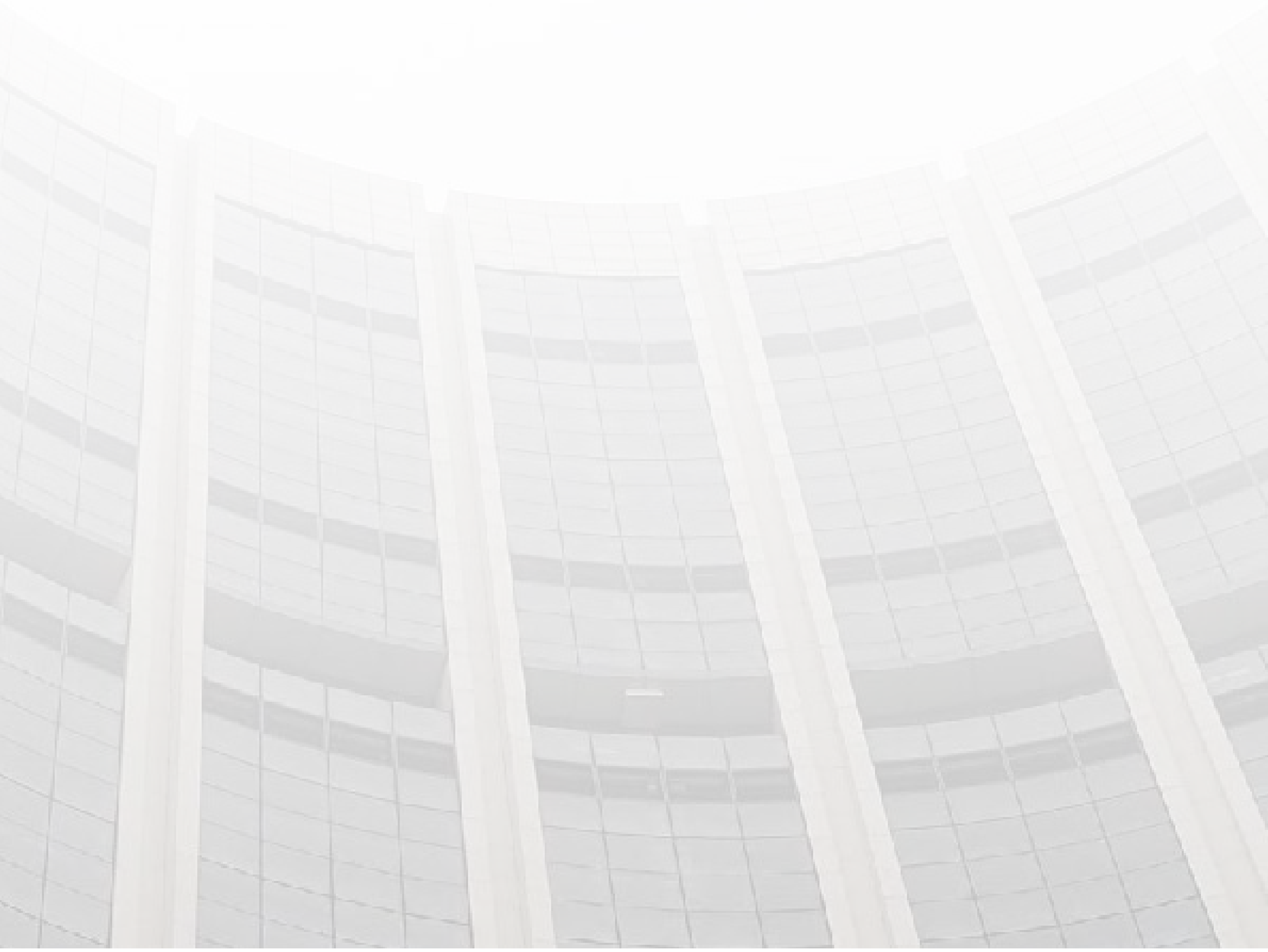
6,17 out of 12
Employment Equity indicator as defined in the Financial Sector Charter
(2018: 6,01)

2019 operational performance overview

The subdued local equity markets for most of the year, ongoing economic uncertainty and subsequent pressure on clients' disposable income placed strain on fee income, the level of assets under management and the profitability of the cluster. Despite the tough environment, record overall net fund flows were achieved in 2019.

Key contributors to the fund flows include Infraworks and the SIM unit trust funds, which reported strong inflows. There was a positive turnaround in the Glacier Invest solution range, which is an important distribution channel for the cluster as it looks to further focus SIG as a third-party asset manager and optimise Group distribution networks. The joint venture with Glacier is also a strong example of effective internal collaboration across the Group that leverages business-wide skills and resources to maximise value for clients. The Alternatives business in particular reported outstanding results, with noteworthy new business inflows and high operating profits. This demonstrates that SIG is focusing its efforts in the right strategic areas to produce real returns for clients.

We are especially proud of our long-term track record of delivery. Over a decade, our moderate and aggressive funds (SIM Top Choice/SIM Aggressive Equity) both beat the Shareholder Weighted (SWIX) Indices convincingly. This puts SIM in the select 15% of managers in South Africa who have beaten their benchmark over the long term. On the institutional side, the SIM Aggressive Fund has dominated the rankings over a three-year period and is in the top quartile over 10 years. On the retail side, the SIM Top Choice and SIM General Equity funds are both in the top 15 retail funds in South Africa when measured over the past decade.



We continue to recognise the quality of our line managers as one of the single biggest factors to ensure our long-term success. In 2019, we launched a new Leadership in Action Line Manager Programme as well as a graduate programme to establish a diverse talent pipeline of young people who will become future leaders and fill scarce and critical roles in the business.

Sanlam Investments	The South African investment management business is seeing the benefits and extracting synergies from the separated Sanlam-focused and third-party investment model in South Africa. This is evident in terms of its ability to service Sanlam, which benefits from lower costs and an aligned distribution force. Sanlam Investments recently launched Sanlam Smart Invest, a free-to-use enhanced digital investment and transactional platform that will help new and current investors achieve their financial goals. Smart Invest equips clients with tools and guidance tailored to their specific investment goal and to learn more about money basics. The user experience is uniquely geared to any beginner investor and requires little or no investment knowledge. Underpinning the entire system is an industry-leading Artificial Intelligence Marketing Automation platform that enables Sanlam Investments to track and engage with potential clients in real time and monitor client behaviour. Significantly, Smart Invest is one of the first Sanlam platforms to build a collaborative Sanlam experience for clients, regardless of the product they buy.
Sanlam Specialised Finance (SanFin)	SanFin continued to build its corporate credit management capabilities in the current challenging economic and credit markets. The business increased provisioning in respect of certain corporate credit exposures, detracting from SanFin's net result from financial services.
Sanlam Private Wealth	Sanlam Private Wealth has significant equity market exposure, which has impacted earnings growth in recent years. On a positive note, the sub-cluster made solid progress to stabilise and upgrade its aging IT infrastructure and systems. This will enable improved service delivery to clients.
International	Returns from the UK operations remain low despite seeing improved internal flows. Management reviewed the UK strategy during the year and remains focused on streamlining this business through vertical integration and by optimising distribution. This includes outsourcing functions where possible. Achieving scale remains key and some acquisitions were concluded during the year. Most notably, the Thesis Group was acquired in the second half of 2019 and will augment the scale of the Group's private wealth, advice and asset management operations in the UK. Management's focus is now on bedding down these operations with no further acquisitive growth to be considered in the short term.

Read more about SIG's financial performance in the Financial Review from page 79.

Recognising the value of responsible investment

> SIG's intention is to play a strategic part in securing a sustainable future for South Africa and all those who live in it. We nurture and grow clients' wealth while making a meaningful contribution to the transformation, growth and development of the country's economy and society.

Our investment philosophy is based on rational decisions and thorough research, which informs our position as a value investor focused on the long term.

By taking the long-term view, we recognise that non-financial issues may play a greater role in our valuations. These issues typically relate to the quality of companies' relationships with their broader stakeholders and their responsible stewardship of natural resources, as well as their own governance approach. Accordingly, we embed sustainability into our core investment process to better understand the potential for companies to deliver their cash flows into the future. This entails broadening and extending investment horizons guided by our responsible investment policy.

> "We want to be part of the long-term solution in South Africa. To be a key player in solving collective challenges to afford a better life for all people in this country. For us, this means empowering people to retire with dignity, providing access to financial services to underprivileged markets through affordable investment, and continuing to pursue opportunities in the real economy – especially those with a strong impact on society.

We subscribed to the Code for Responsible Investing in South Africa (CRISA) in 2011 and are committed to integrating the five principles into our investment approach.	✓
We subscribe to the United Nations Principles for Responsible Investments (UNPRI), upon which CRISA is based. We annually assess our policy framework and implementation against the CRISA principles to compare our progress with that of our international peers.	✓
In 2006, we formed the Corporate Governance Unit (CGU) committee to drive the implementation of our governance responsibilities on behalf of clients. This includes considering and incorporating environmental, social and governance related principles and data into non-equity investment processes.	✓

Impact investments are made into companies, organisations, vehicles, and funds with the intent to contribute to measurable positive social, economic and environmental impact alongside financial returns. The Global Impact Investing Network 2019 survey identified the main impact investing trend as asset allocation to energy, microfinance and other financial services. We have played a part in each of these key areas as well as across the broader impact investment spectrum.

We focus on the following impact investment categories, which provide alternative sources of return to reward investors for risk:

- Affordable housing
- SMME Financing
- Job creation
- Healthcare
- Education
- Sustainable agriculture
- Infrastructure and development
- Renewable energy

Case study: A global climate fund partnership

Climate Investor One was launched in partnership between FMO and Sanlam InfraWorks in 2017. The facility also enjoys support from the EU through its External Investment Plan, as well as cornerstone support from the Ministry of Foreign Affairs of the Netherlands, the Nordic Development Fund (NDF) and USAID's Power Africa programme.

Climate Investor One has a mandate to invest in clean energy projects in emerging markets. With the support of broad public and private sector commitment, Climate Investor One has been able to mobilise commercial funds to reach $US850 million.

Climate Investor One comprises two separate, but operationally linked funds:

- The Climate Investor One Development Fund is mandated to provide development loans to fund the early stage development of a project lifecycle.
- The Climate Investor One Construction Equity Fund is mandated to finance the construction stage of a project's lifecycle with an all equity solution.

The funds are structured with a 15-year investment period with a mechanism to recycle capital. Cash flows received by the fund via repayment of development loans will be reinvested in additional projects over the course of the 15-year investment period. This recycling of capital mechanism enables a greater number of projects to become operational, in a faster time and through the same commitment of capital by investors, resulting in a greater global societal and environmental impact.

Climate Investor One is invested in the development of a number of projects, with two assets having received construction financing: Cleantech Solar, currently a 116MW pan-Asia Corporate and Industrial rooftop solar platform, and Africa Hydro Holdings, a 42MW run-of-river hydro platform in Uganda.

Climate Investor One gives our clients the opportunity to invest in a fund that has a positive impact on the environment, while benefiting from the unique profile of an asset class that delivers long-term assets to meet the long-term cash-flow needs of clients.

Transparency on proxy voting and engagement activity

Since 2010, the number of shareholder meetings SIM votes at varies seasonally between 40 and 90 per quarter. Of those, 74% are annual general meetings. Over the nine years, the number of resolutions per meeting increased due to unbundling, with an average of up to 1 300 resolutions per quarter. Over the period, SIM voted against 10% of resolutions, of which 94% were approved by meetings. Of those not approved, some resolutions were withdrawn.

SIM's reasons for declining resolutions are mostly related to remuneration and limiting general access to capital. SIM declined 25% of remuneration resolutions, which are 25% of all resolutions. Reasons for declining remuneration resolutions relate mostly to policy where inputs are prioritised over outputs, and a preference for incentive rather than retention schemes. Since 2011, SIM's reasons for engagement have mainly been on remuneration arrangements, followed by malpractice and performance.

SIM's proxy voting disclosure per resolution, responsible investment approaches and annual responsible investment report are available on www.sanlaminvestments.com

Strategic short to medium-term opportunities

- Continue to develop capabilities in the alternative space.
- Look for opportunities to increase scale.
- Exploit the value of Group-wide collaboration to make better use of capabilities within the cluster.

Resilience focus areas

www.sanlam.com/investorrelations/sustainability/

CLUSTER REPORT: SANTAM

About Santam

Santam is the leading general insurance group in South Africa that writes insurance business in Africa, India, South-East Asia and other emerging markets through its business units:

- Santam Commercial and Personal
- Santam Specialist
- Santam re
- MiWay
- Santam ART
- Sanlam Emerging Markets partner businesses

Santam contributed 13% to the Group net result from financial services and 14% to GEV. Santam has a market share of more than 23% in South Africa.

Key strengths

- Santam is a 101-year-old, leading South African general insurer with a presence in selected emerging markets, listed on the JSE since 1964.
- Santam provides products and services through a network of over 3 600 intermediaries and direct channels.
- The Santam group's more than 1 million policyholders range from individuals to commercial and specialist business owners and institutions

Strategic intent: entrenching leadership through value creation and growth

Santam is building a diversified business in emerging markets through its specialist risk and reinsurance offerings. In South Africa, efforts to transform from a largely intermediated distribution model to omni-channel capabilities continue. This includes protecting profitable growth through enduring focus on the quality of risks in the pool as well as making use of data and analytics to improve underwriting capability. Santam will continue to build its "Insurance good and proper" reputation by working with stakeholders to increase community resilience and through its sustainable business practices, as well as a relentless focus on client-centricity.

Building a Future-Fit Santam

In 2015, Santam set an ambitious target – Vision 2020: to be the leading general insurer in selected emerging markets. The cluster has reached the end of this five-year journey and believes it will achieve this vision, despite the challenging operating context and competitive market conditions.

In 2018, the year Santam and Sanlam turned 100, the cluster initiated a strategy review called "Building a Future-Fit Santam". The review, which included all business and support units, aimed to ensure long-term business sustainability. The strategy was approved by the Santam Board in 2019 and will guide Santam from 2020 onwards.

SNT

R1 221 million
Net result from financial services (2018: R1 196 million)

13%
Contribution to Group net result from financial services (2018: 13%)

7,7%
Underwriting margin (2018: 9,2%)

R16,0 billion
Client wealth protected (2018: R13,8 billion)

6 178
Number of employees (2018: 6 076)

7,16 out of 12
Employment Equity indicator as defined in the Financial Sector Charter (2018: 6,78)

Santam's future-fit strategic themes:

A responsible business – Insurance good and proper	We must continue to provide stakeholders with confirmation that we are a responsible corporate citizen, with sound governance practices and a measured, positive impact on society.
Help build resilient societies	This includes redistributing risk, helping to mitigate risk and building a sustainable and transformed South Africa.
Our overall leadership position in South Africa	Our South African business generates 85% of Santam's revenue. As such, it is a priority for the cluster to improve on its overall local leadership position.
A Pan-African specialist class business with SEM	With SEM, Santam is building a Pan-African specialist class business. The cluster is expanding its operational capability as a multi-national business to transition into a continent-wide solutions provider.
Selectively build Santam's international business	Santam is building a diversified business in emerging markets through its specialist risk and reinsurance offerings. Outside Africa, Santam offers reinsurance and partners with SEM in selected markets.
Technology as an enabler and driver of innovation and efficiency	We have an expanding portfolio of digital assets. Innovation is driven largely at business unit level and includes a focus on data capability, AI and automation, pilot studies with the Internet of Things and telematics, involvement with fintech start-ups and experimenting with new business models.
Build and improve human capital in the Santam group	Through our committed and capable people, and the value they bring to the group, Santam is well positioned to continue creating value for stakeholders. To build world-class human capital, we will employ a multi-pronged approach.

2019 operational performance overview

Santam's conventional insurance business segment achieved strong underwriting results and the investment return on insurance funds remained stable. The alternative risk transfer (ART) insurance segment reported strong growth in income from clients. Good underwriting results and investment margins contributed to excellent profitability. Santam Commercial and Personal increased policy count and market share. This followed a concerted effort from intermediaries to improve quote conversion rates.

Santam made progress on its journey to digitalisation: the cluster enhanced internal efficiency and streamlined its engagement with clients and intermediaries. This was supported by the migration to a new core underwriting platform, which enables Santam to underwrite with more granularity and insure risks at the right price.

To expand its distribution channels and enhance existing client and intermediary offerings, the cluster made minority investments in two InsurTech start-ups: Ctrl, a software development and financial intermediary business, and JaSure, which offers on-demand, app-based insurance for personal items including cell phones, laptops, photography equipment, bicycles and other sports equipment, eyewear, camping gear and musical instruments.

The cluster continues to proactively address the social and empowerment challenges in South Africa by increasing procurement from black-owned suppliers and contributing financially to industry supplier development initiatives. The money that Santam invests in the ASISA Enterprise and Supplier Development (ESD) fund creates access to loan funding for new and small B-BBEE suppliers in the sector. This programme includes business assessment, incubation, support and mentoring, and prepares small black businesses for targeted procurement spend from Santam.

Santam Commercial and Personal	***Santam Commercial and Personal serves retail and commercial markets by providing appropriate insurance solutions that suit the needs of entrepreneurs and businesses. For personal insurance, the business unit offers a multi-product and multi-channel distribution portfolio that covers eight classes of general insurance.*** • While the business achieved excellent underwriting results in 2019, premium growth was below expectations. This was the result of several factors: • The South African economic climate impacted the affordability of insurance. As a result, renewal rates were under pressure. This widens the risk protection gap when clients reduce or cancel their insurance cover. • Increased competition led to a higher churn rate, particularly among small to medium-sized enterprises. • The migration of Santam's commercial portfolio to a new administration platform impacted internal resources and intermediaries' ease of doing business. In response to these factors, the business unit took pricing actions to improve retention and also sharpened its cost efficiencies.
Santam Specialist	***Santam Specialist insures against large and complex risks in niche market segments. Products are client-driven and supported by specialist underwriting. Underwriting these classes of insurance requires skilled resources to assess and quantify the risk and exposure as provided by the unit's underwriting managers and niche business units.*** Santam Specialist achieved satisfactory underwriting results and strong premium growth. This was despite clients being financially constrained and struggling to afford risk management, which resulted in increased exposure. The main performance drivers included improved risk pricing and enhancing the portfolio to include more specialised risk management. Santam Specialist opened an office in London to generate business opportunities for its target market. For Santam Agri, the 2018/19 crop year was significantly impacted by hail damage. This resulted in the highest gross claims ratio over the past five years. In addition, several factors discouraged investment in the agricultural sector. These include drought conditions, hail and uncertainty around land expropriation without compensation. In terms of its other specialist businesses, Santam made good progress to define its risk appetite and establish working practices between Santam and Saham's management to grow the Pan-African specialist business. The business unit's corporate property business, Emerald, and engineering business, Mirabilis, achieved strong growth in premium flows from outside South Africa. Specialist underwriters Stalker Hutchison Admiral (SHA) built the SHA Pocket Underwriter, which functions in the small to medium-sized enterprise space and enables an online application process. The transportation sector was affected by an increase in crime, including the looting and burning of trucks. This required significant intervention and repricing to match exposure levels.
Santam re	***Santam re is a wholesale reinsurance service provider for the Sanlam Group general insurance businesses and independent general insurers in Africa, India, the Middle East and South-East Asia. Santam re operates under the Santam general insurance licence, which enables it to optimise the size, quality and diversity of the overall risk pool relative to capital resources and risk appetite.*** Santam re experienced a stable year in terms of claims and employee movements, and its business increased substantially. Santam re's other international portfolio is larger than its South African and African portfolio for the first time. Eastern Europe and the Middle East offered good growth opportunities. Santam continues to invest in developing junior underwriters. This has benefited Santam re as several candidates entered the business in junior and middle management positions. Santam re's partnerships with international reinsurers delivered flat results. This was mainly due to large catastrophe losses in America and Japan.

MiWay	***MiWay is a direct insurer that underwrites predominantly personal lines general insurance business through direct acquisition. This is supported by a smaller intermediated personal lines business and a suite of direct business insurance products.*** MiWay achieved excellent growth and underwriting results. This is particularly encouraging considering the state of the economy, which continues to put pressure on the business due to depressed collection rates and higher-than-anticipated lapse rates. As competition for new business remains tough, MiWay sought new distribution channels and entered into strategic partnerships that provide access to quality sales opportunities. MiWay is on a journey to develop innovative technological solutions inspired by their clients' needs. Initiatives undertaken during the year to expand their offering include: • researching new rating factors to improve their scientific underwriting process; • starting proof of concept projects that use AI and machine learning to enhance client experiences and drive efficiencies in sales, client services and claims; and • acquiring an intermediated value-added products business with an offering that will be distributed to existing clients in the direct space. The annual MiWay 24-hour hackathon challenged students to conceptualise, design and build an actuarial model for a predictive client retention programme. The competition helps MiWay identify the best skills for taking the company into a future that is increasingly technical and focused on producing complex, mathematically based solutions.
Santam ART	***Santam ART solutions use techniques other than traditional insurance and reinsurance to provide risk-bearing entities with coverage or protection. Tailored solutions allow clients access to multi-peril cover and aim to reduce the cost of risk to clients over the medium to long term. Business is written on the insurance licences of Centriq and Santam Structured Insurance.*** Santam ART achieved excellent growth in client income, driven by increased fees and an improved investment margin. This was buoyed by strong performance in the investment portfolio, which ensured improved investment margins. Management expenses were well controlled. Challenges included regulatory uncertainty in the cell captive business as well as increased cancellations in Santam ART's risk finance businesses due to the tough South African economic environment.
Sanlam Emerging Markets partner businesses	***SEM is responsible for Sanlam's financial business services in emerging markets outside South Africa. Through its partnership with SEM, Santam has economic participation in 13 countries.*** Santam's investments and strategic partnerships, including with SPA, offer opportunities and challenges. Importantly, Santam made progress to bed down effective reporting structures and systems for collaboration between its business and SPA GI. The macro-economic context in many countries remains difficult, specifically in Angola and Lebanon. The performance of the Moroccan motor book negatively impacted the performance of the Saham investment. Outside Africa, Shriram General Insurance in India delivered a stellar performance, with a 111% increase in premiums. Due to a lower frequency of claims and better claims management, the claims ratio improved. This contributed to a significant increase in profitability.

Read more about Santam's financial performance in the Financial Review from page 79.

Case study: Partnerships for Risk and Resilience (P4RR) builds capacity

R9 million invested in P4RR in 2019 through the Emthunzini Community Trust	46 municipalities supported through P4RR initiatives

To build resilience, we engage with government, municipalities, universities and other stakeholders to initiate projects to better understand and manage risks on the ground. The cluster does this through its Partnership for Risk and Resilience (P4RR), an integrated and collaborative effort to reduce insurance risks that impact businesses and individuals.

In South Africa's unique risk landscape, vulnerable communities face major challenges in dealing with natural disaster. Municipalities are often incapable of managing incidents such as fire and flooding. Through P4RR, we invest in risk reducing interventions.

The objective of P4RR is to strengthen the institutional and participatory development capacity of local municipalities to reduce poverty. We do this by assisting service delivery and providing support to local government infrastructure, economic development, and governance.

P4RR is embedded in ongoing scientific research to help us understand the drivers of risks and how to encourage appropriate risk response behaviours.

Municipalities are selected based on vulnerability levels related to government requirements as well as potential impact on Santam in terms of fire, flood and storm surge perils. The P4RR programme has supported 46 municipalities and is on track to support 53 municipalities by 2020.

Strategic short- to medium-term priorities

- Monitor progress against opportunities presented by Building a Future-Fit Santam based on metrics to be agreed on in 2020.
- Focus on profitable growth, cementing the leadership position in South Africa and exploring the opportunities presented by the emerging markets footprint.
- Continue with digital initiatives to enhance efficiency and growth.

Santam Commercial and Personal	• Improve clients' experience to include risk prevention on top of risk management. • Improve underwriting capabilities and the claims experience through data analytics, digital initiatives and further synergies with Santam Specialist. • Prioritise the drive to transformation by developing black intermediaries and suppliers.
Santam Specialist	• Increase market share in the South African and African markets, underpinned by selective expansion into international markets. • Explore InsurTech solutions that support and develop the business and reduce costs.
Santam Re	• Expand the South African book and target selected regions in Africa. • Expand on non-proportional business and non-property classes.
MiWay	• Continue with the strategic initiatives launched in 2019.
Santam ART	• Consider InsurTech partnering opportunities and investigate further co-operation with other business units in the Santam group.
Sanlam Emerging Markets partner businesses	• Evaluate each market to ensure businesses being supported are a strategic fit, with realistic business potential. • Continue to work closely with SPA GI management to unlock synergies and grow the SEM partner businesses.

Resilience focus areas

www.sanlam.com/investorrelations/sustainability/

CLUSTER REPORT: SANLAM CORPORATE

About SC

SC operates through the following:

- Group Risk Insurance
- Corporate Investments
- Annuities
- Retirement Fund Administration (Stand-alone and Umbrella Funds)
- Consulting
- Health

SC holds a 27,8% stake in AfroCentric Healthcare Assets, a subsidiary of the listed AfroCentric Investment Corporation that owns the country's second-biggest medical aid administrator, Medscheme.

The business previously known as Absa Consultants and Actuaries (acquired in April 2018 and now renamed ACA Employee Benefits (ACA)) is in the process of being integrated into SC's administration and consulting businesses.

> SC contributed 6% to the Group net result from financial services and 4% to GEV. SC's share of the corporate market in employee benefits and health is under represented, presenting an opportunity for growth.

Strategic intent: to be the preferred partner to corporates and the public sector, by providing an awesome client experience and comprehensive solutions that enable the financial resilience and prosperity of those entities and their employees.

To support our business strategy to build one unified business, our leadership structure was reviewed and the previously separate executive committees within SEB and Health were combined into a single leadership team. This will ensure that appropriate capacity is available across the cluster to support effective strategy implementation. It will also facilitate greater collaboration between our various distribution, consulting and product houses to improve performance.

Thinus Alsworth-Elvey was appointed as Chief Executive of SC in July 2019, replacing acting Chief Executive Temba Mvusi.

We reviewed and updated our strategy in 2019. In addition to minor refinements, the review resulted in an enhanced focus on client centricity and developing deep insights into clients' needs to enable us to respond with appropriate and integrated solutions. A further outcome was restating our strategic intent.

SC

R590 million
Net result from financial services (2018: R580 million)

6%
Contribution to Group net result from financial services (2018: 6%)

1 509
Number of employees (2018: 1 494)

R8 951 million
Claims paid and increase in policy liabilities (2018: R8 227 million)

R6,4 million
Invested in empowering trustees, advisers and employers through insights drawn from the 2019 Sanlam Benchmark Survey (2018: R6 million)

6,80 out of 12
Employment Equity indicator as defined in the FSC (2018: 6,56)

SC's strategic imperatives

The Sanlam Corporate Way	Create a unified culture and leadership team, become an employer of choice and promote inclusivity.
Client-focused strategy	Prioritise client-focused research, client understanding and a strong client value proposition rather than being product or distribution-led.
Well-diversified distribution channels and partnerships	Distribution channels should include intermediated, direct, digital and retail as well as strategic partnerships.
Awesome client experience	Client services should be digitally enabled and cater for omni-channel engagement .
Comprehensive solutions	These include leading employee benefits and health solutions as well as other Sanlam Group solutions.
Strong brand and trusted leadership	Focused on value add for clients, intermediaries and the workplace.
Deliver superior shareholder returns	Drive earnings, VNB and RoGEV through revenue growth and efficiencies.

2019 operational performance overview

Despite the tough operating conditions and pressure on employers, we grew new business volumes by 14%. Solid growth in the Sanlam Umbrella Fund in turn benefited Investment and Group Risk business.

The high Group Risk claim volumes continued into 2019. To mitigate the effects of this, we focused on effective claims management and ensuring that schemes are appropriately priced in relation to claims experience. The combined effect of these actions contributed to a recovery in Group Risk Insurance profitability in the second half of 2019.

To enhance pricing decisions, we established a dedicated data analytics team that will work alongside the Sanlam Group BI project to leverage the tools and skills being implemented by the project. We are also investing in better digital claims management tools, workflow processes and automation.

We launched various digitally-enabled solutions to address the opportunities created by the new retirement fund default regulations, which came into effect on 1 March 2019:

Impact	SC's response
On withdrawal from a fund, SC is required to obtain member consent in writing prior to paying out any exit. This could potentially disrupt the cluster's ability to pay exits timeously and adds an extra administrative burden.	We designed and implemented an innovative solution that enables members to access various channels via which they can provide consent. This includes SMS, email, web and manual submission.
All funds are required to provide their members with counselling upon withdrawal or retirement.	This has been met in two ways: a financial information portal was developed on the member web/app and the Individual Member Support services team was implemented to provide a free counselling service to members of funds who are resigning or retiring and require such a service.

The establishment of the Individual Member Support services team further supports our retailisation strategy. The unit is making good progress in signing up funds. By the end of 2019, 52 funds had taken up the basic free counselling service. This creates additional opportunities to engage directly with members to inform them of retirement options, generate leads for advice and guide clients to appropriate Sanlam annuity and investment products.

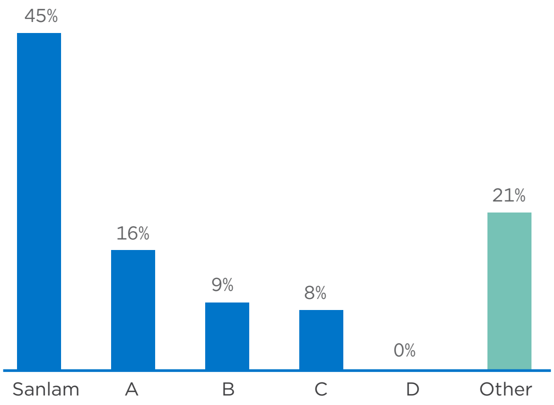
Employee Benefits

Following continued interest in Smooth Bonus Fund within SC, SC established a centre of excellence to increase Sanlam's share of retail market flows into this product.

ACA delivered a pleasing performance and SC continues to see the benefits following the integration of ACA in terms of facilities and infrastructure. Further integration will focus on aligning the business's administrative platform with that of SC to enhance efficiency and continuity and support client and employee retention.

The Sanlam umbrella fund remains one of the most well-regarded by intermediaries and is recognised as one of the most advanced, differentiated and responsive umbrella funds in the country.

Which of the Big 5 commercial umbrella funds are most capable of enabling financial resilience for members?



n=95

A key component of SC's business strategy is to build one unified business and experience for its clients. This includes moving from single product lines to an integrated, holistic suite of solutions and services as well as generating a better understanding of clients' needs and building better client journeys.

In light of this, management is focusing on growing Sanlam's presence in the South African employee benefits market by leveraging the Sanlam brand and bringing the underlying SC businesses closer together.

Health

The health portfolio includes our investment in AfroCentric as well as a suite of health insurance products sold under the Sanlam brand

AfroCentric delivered 4% growth and continues to contribute the majority of the health portfolio's profits. This strategic investment remains key to the success of SC's overall health strategy. Beyond member administration, AfroCentric concluded various bolt-on acquisitions that enable it to play in other areas of the healthcare value chain, including within the public healthcare sector. AfroCentric is therefore well placed to respond to regulatory uncertainty related to NHI.

Read more about SC's financial performance in the Financial Review from page 80.

The Sanlam Financial Resilience Index

The Sanlam Benchmark research is South Africa's most comprehensive and respected retirement industry study. The study has been conducted since 1981 and this year 100 funds, 100 employers and 100 employee benefits (EB) consultants were surveyed via a combination of face-to-face interviews and online studies.

The 2017 Sanlam Benchmark introduced the Sanlam Financial Resilience Index (SFRI). The intention of SFRI was to offer a diagnostic tool that could be used to determine what obstacles exist that prevent retirement fund members from improving financial resilience. Since 2017, we have engaged with numerous fund members and have received over 5 000 responses.

This year SFRI research was also done among Sanlam employees. The results confirmed that regardless of the sector and the functional roles individuals have, people are finding it hard to cope financially across the board. Through this process a number of strategic deliverables were identified, which Sanlam is exploring to make a difference and empower employees along their financial journeys.

The SFRI assigns a score that can be used as a benchmark to measure the financial resilience of any given fund against the industry in general, across the following six categories:

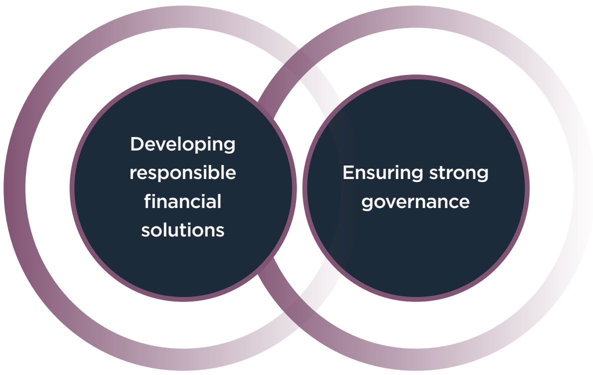
1. Income and package composition
2. Financial wellness
3. Level of indebtedness
4. Budgeting
5. Provision for retirement
6. Advice and financial planning

The focus of the research is on understanding what members' specific needs are for any given fund. This engagement is vital to improve members' retirement outcomes. This includes the frequency, timing, method and simplification of complex topics.

Strategic short- to medium-term priorities

- Progressively improve market positioning by following a holistic approach and providing leading employee benefits and health solutions as well as other Sanlam Group solutions.
- Continue to identify opportunities for intra-group collaboration with the other clusters – particularly SIG (through the Sanlam Umbrella Fund), SPF (through SC's retailisation strategy) and SEM (by identifying opportunities to provide corporate solutions to multinationals).
- Strengthen direct distribution, key account capability and the cluster's consulting businesses by adapting the cluster's engagement model to allow for more direct interaction with individuals within funds as well as employers.
- Identify opportunities to further enhance the client experience and develop a strong client value proposition, underpinned by digitisation of engagement platforms and the use of data and analytics.
- Continue to build on strong corporate partnerships and identify opportunities to grow market share within the public sector and among organised labour, which will be supported by identifying organic and acquisitive growth opportunities.
- Build on the refined leadership structure to create a unified SC culture that supports the revised strategy as well as empowerment and transformation more broadly. To support this, the cluster will ensure that rewards/incentives are in place to drive the right strengths and capabilities within the business – particularly for key roles. This will be underpinned by a strong focus on people development and training.

Resilience focus areas



www.sanlam.com/investorrelations/sustainability/

OUR STRATEGIC VALUE CREATION

UNDERSTANDING THE FOUR STRATEGIC PILLARS

In this section we unpack the four strategic pillars in more detail. Find our Strategy at a glance on page 20 and read the Group Chief Executive's report on page 51 for commentary on performance in terms of the four strategic pillars in 2019. Sanlam's strategy has remained largely consistent since 2003, with minor refinements applied each year following a Board review.

Our purpose
Our purpose is to build a world that supports people in living their best possible lives through financial resilience and prosperity.

→ Our purpose statement explains why we exist

Our strategic intent
Our strategic intent is to create sustainable value for all stakeholders.

→ Our strategic intent defines the desired outcome of our strategy

Vision statements per geographical region

→ Our vision statements direct what we want to achieve

Our strategic pillars

- Profitable top-line growth through a culture of client-centricity
- Enhancing Sanlam's resilience and earnings growth through diversification
- Extracting value through innovation and improved efficiencies
- Responsible capital allocation and management

→ The four pillars focus on strategic execution, with RoGEV serving as the overall measure of success

Transformation
Continuous transformation is central to Sanlam's ability to adapt to a changing world and underpins all of the strategic pillars.

→ Execution relies on Sanlam's ability to continuously transform and ensure that we remain relevant in a changing world. We define transformation broadly to include: economic transformation to reduce wealth inequality; transforming employees to reflect the demographic profile of our client base and societies where we operate; and transforming distribution channels and operations in line with technological and regulatory developments. Most importantly, we believe in transformation that is in line with the changing needs and preferences of clients.

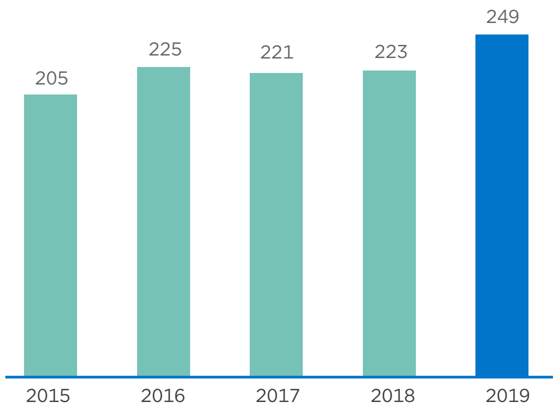
Sanlam's strategy is not unique. Our ability to consistently execute on the strategy in a sustainable manner has proven to be a key differentiator. It has been a driver of success in the past and forms the foundation for Sanlam's sustainable performance over the long term. We continue to consistently outperform our RoGEV hurdle rate over the long term. Read more about RoGEV and our performance against our RoGEV target on page 28.

Profitable top-line growth through a culture of client-centricity

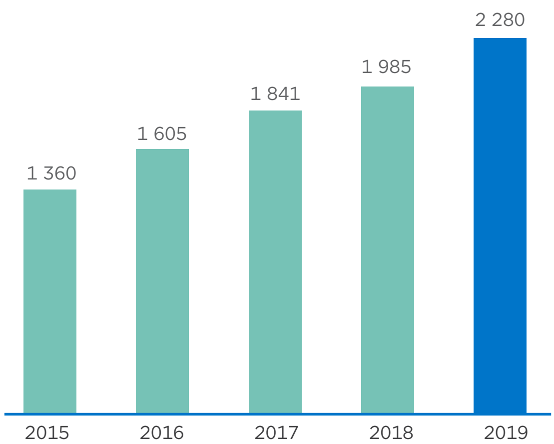
Top-line growth is a key focus area as fund flows, fee income and investment returns remain under pressure due to a persistently challenging operating environment.

Since listing in 1998 Sanlam has differentiated itself from many global peers by emphasising new business profitability over increased market share at any cost. When competitors priced too aggressively, for example, we would rather forego short-term market share than add unprofitable business to our base. This aligns with Sanlam's capital management approach to set minimum hurdle rates for the clusters and link these to remuneration. This ensures that clusters manage the internal rate of return of new business in the same way as they would any capital deployment decision. Sanlam's new business margin has therefore improved from being one of the lowest in the market 16 years ago to the higher end of our peer group.

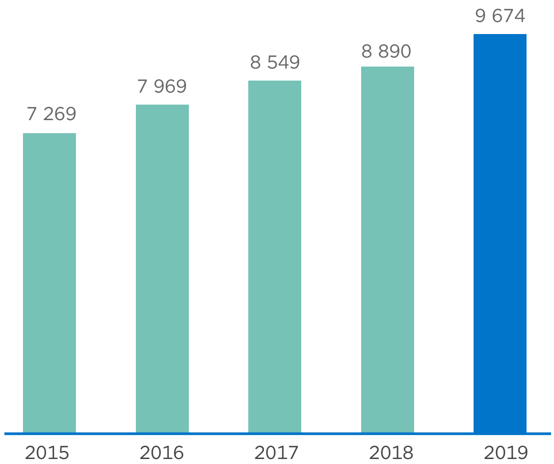
New business volumes (R billion)



Net value of new covered business (R million)



Net result from financial services (R million)



This strategic pillar is one of the main contributors to shared value creation for Sanlam stakeholders:

- **Shareholders** benefit from Sanlam's enhanced profitability.
- **Advisers and other distribution partners** benefit from upfront and recurring commission and advice fees earned from new business written.
- **Employees** benefit from additional employment and career opportunities that are created as the size of Sanlam's business grows.
- **Clients** benefit from wealth creation, management and protection that supports their long-term financial resilience and prosperity.
- **Societies** in which we operate benefit from a more profitable and successful Sanlam that is better able to contribute to resilience and prosperity.

Key strategic risks associated with this pillar:

- Poor economic growth
- Political and social instability
- Disruptive threats/Fourth Industrial Revolution
- Severe weather/climate change
- Transformation and diversity

Client-centricity is at the core of our ability to grow top-line in a profitable manner. We meet our clients' needs and expectations for wealth creation, management and protection through appropriately priced solutions. These are supported by a strong and trusted brand and exceptional service delivery. We are thus able to maintain and grow our market share of profitable new business while improving the retention of our existing client base.

Sanlam's approach to client-centricity is driven by the following fairness outcomes:

Clients are confident that they are dealing with a Group where the fair treatment of clients is central to our culture and values.

Products and services marketed and sold are designed to meet the needs of the identified client groups and are targeted accordingly.

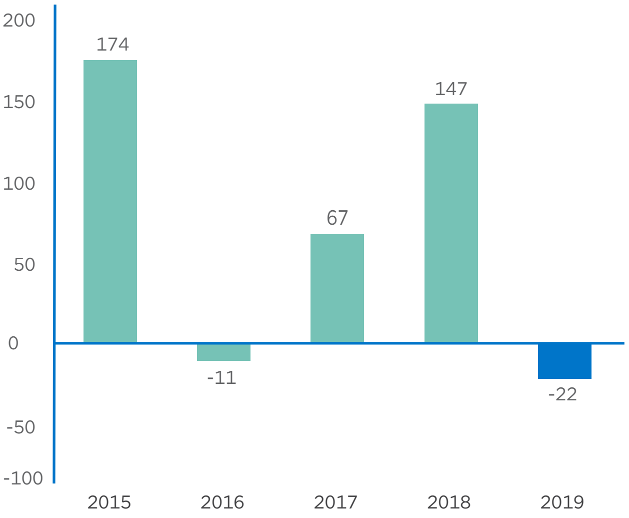
Clients are given clear information and are kept appropriately informed before, during and after the time of contracting.

Where clients receive advice, the advice is suitable and takes account of their circumstances.

Clients are provided with products that perform as the Group has led them to expect, and the associated service is both of an acceptable standard and what they have been led to expect.

Clients do not face unreasonable post-sale barriers to change a product, switch providers, submit a claim or make a complaint.

Client persistency – covered business experience variances (R million)



The Sanlam Customer Interest committee is mandated by the Board to review and monitor that all client-related decisions adhere to these fairness outcomes. The committee tracks, for example, indicators relating to:

- Product design
- Information provided
- Advice
- Product performance
- Service
- Claims
- Complaints handling
- Product accessibility

Pillar connections and dependencies

Enhancing resilience and earnings growth through diversification

Volatility in top-line growth is strategically managed through diversification.

Extracting value through innovation and improved efficiencies

Our ability to develop client-centric solutions depends on our ability to innovate.

Responsible capital allocation and management

We achieve top-line growth organically and by investing discretionary capital in new growth opportunities.

Enhancing resilience and earnings growth through diversification

Our objective is to enhance Sanlam's international positioning and grow the relative importance and contribution of the international business to the Group, with a specific Pan-African focus.

Diversification across geographies and lines of business enables us to manage the earnings and currency volatility that can emanate from the countries in which we operate. This provides more stability in overall earnings generation and dividend payment capability to our shareholders. Diversification through SEM is into higher-growth regions that enhance future earnings growth potential. This supports the main attraction of the Sanlam investment case: stable real dividend growth combined with accelerated future growth prospects.

Given our diversified business profile, the challenge for Sanlam is to maintain operational controls and governance oversight. The Sanlam Group Business Philosophy defines how the Group acts and behaves as "one firm". It applies to all Sanlam clusters and subsidiaries and includes a summary of Sanlam's culture, values and responsibilities, thereby encapsulating the way in which it does business and allocates resources.

Geographical diversification per cluster is depicted on pages 22 to 23.

Key strategic risks associated with this pillar:

- Poor economic growth
- Political and social instability
- Disruptive threats/Fourth Industrial Revolution
- Severe weather/climate change
- Transformation and diversity

Enhancing Sanlam's resilience has a positive outcome for clients, shareholders and the communities where we operate. It enhances the stability of our overall solvency, enabling us to protect our clients against the potential negative financial consequences of unexpected events through a range of insurance solutions and investment options. Our continued ability to pay claims enhances resilience for clients and their communities.

Pillar connections and dependencies

Profitable top-line growth through a culture of client-centricity

Sanlam's resilience depends on our ability to attract and retain clients through a client-centric culture.

Extracting value through innovation and improved efficiencies

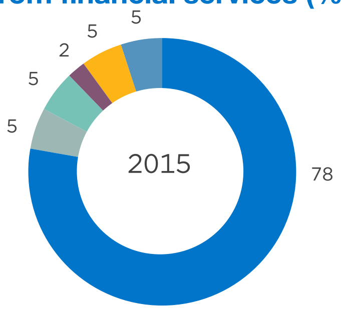
Enhancing our resilience and earnings growth depends on our ability to innovate.

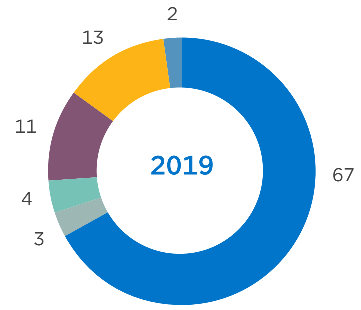
Responsible capital allocation and management

We ensure resilience and generate earnings growth through responsible capital allocation and management.

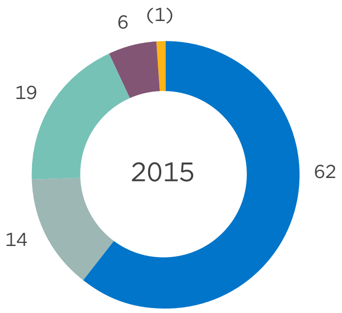
Key long-term measurements of progress and execution

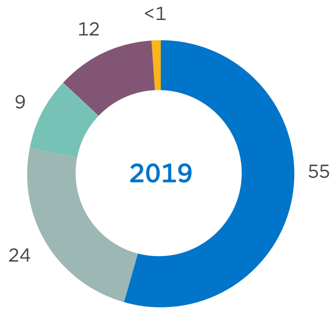
Net result from financial services (%)





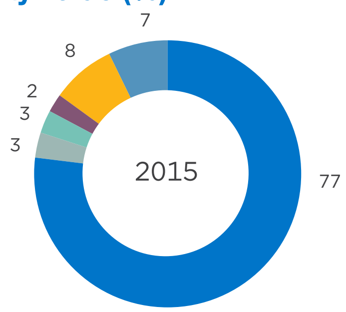
South Africa · Namibia · Botswana · Other African Operations · India/Malaysia · Other international

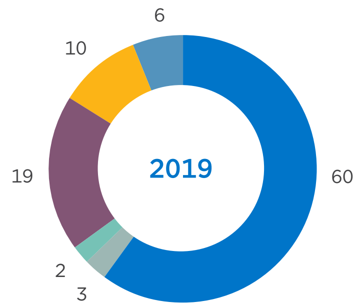




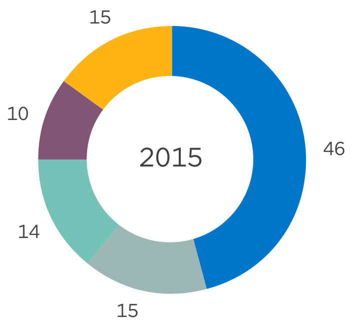
Life insurance · General insurance · Investment management · Credit and structuring · Admin, health and other

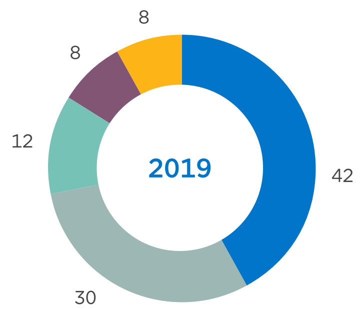
Group Equity Value (%)





South Africa · Namibia · Botswana · Rest of Africa · India/Malaysia · Other international





Life insurance · General insurance · Investment management · Credit and structuring · Admin, health and other

Extracting value through innovation and improved efficiencies

To attract and retain clients, Sanlam provides innovative financial solutions that are testimony to the diversity of our people and their creative thinking.

To execute this pillar, we enhance and adapt financial solutions along the full extent of the wealth creation, management and protection value chain. We consider the full life cycle of our clients and the systems they rely on for their personal or business protection and prosperity.

To develop these solutions, we invest in our employees and value their diversity, particularly as this contributes to innovative thinking. We invest in their training and development and focus on upskilling employees where digital solutions reduce the need for human intervention. We focus on innovation across our products and services, distribution channels and back office processes to enhance Sanlam's attractiveness in the market and to ensure efficiency across our business model.

Digital innovation is a key focus area. Our approach is threefold:

We are enhancing our omni-channel distribution approach by incorporating digital offerings and technology-enabled product solutions.

We are implementing a Group-wide business intelligence platform to assist with product development, underwriting, client service and cost efficiencies through big data and enhanced data analytics.

We are enhancing operational efficiencies through robotics.

Key strategic risks associated with this pillar:

- Disruptive threats/Fourth Industrial Revolution
- Cyber-risk
- Human resource scarcity and stretched resources
- Transformation and diversity

Recent Sanlam digital and technology-based offerings include:

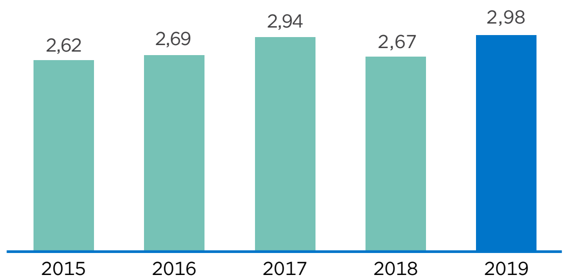
- **Focused, quick and effective financial planning:** clients can use Sanlam's Secure Services to view portfolios, statements and personal information online.
- **Agile, digitally enhanced ways of working:** the Sanlam Now app enables intermediaries to complete a client's application for death and disability cover in as little as 15 minutes. In addition, it is constantly improved according to the needs of the market and intermediaries.
- **Comfortable, convenient and cost-effective client communication:** a WhatsApp channel that operates 24/7 offers digital services and interactive voice response.
- **Enhanced accounting and calculation capacity:** the new SanPay system oversees all payments, contracting and expenses for intermediaries in SPF Distribution – handling 76 000 commission accounts per month and more than 50 billion accounting transactions per year.
- **Automated processes and lower costs of execution:** robotics has been introduced in selected business areas to improve client and intermediary experiences, increase value and reduce costs

Sanlam has a track record of delivering operational efficiencies. This is evident in our ability to largely maintain new business margins on a per-product level, despite cost and fee pressures, as well as negligible expense experience variances recognised in life insurance RoGEV over the past 10 years. Operational efficiencies are about cost management and creating the ability to more effectively service the changing needs of clients, from a product and engagement perspective. As such, it is a core mechanism to ensure client satisfaction and persistency, which enhances top-line growth.

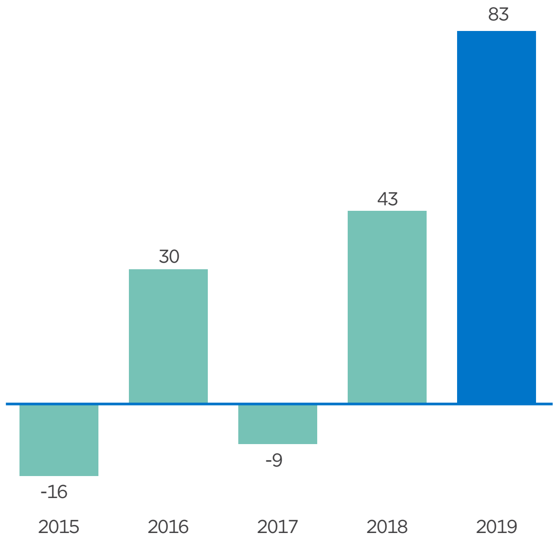
We are optimising operating and cost efficiencies through:

- investments in distribution and administration systems and processes;
- automation;
- restructuring to enhance focus;
- system integration; and
- implementation of business intelligence and data analytics solutions.

Net value of new covered business margin (%)



Expense experience variances – covered business (R million)



Pillar connections and dependencies

Profitable top-line growth through a culture of client-centricity

Understanding clients' needs is at the core of value creation and innovation.

Enhancing resilience and earnings growth through diversification

Improved efficiency is a driver of enhanced resilience and earnings growth. Diversification further relies on innovation in products, services and markets.

Responsible capital allocation and management

By allocating capital to research and development initiatives, innovation can be tested and scaled.

Responsible capital allocation and management

We aim to enhance capital efficiency on an ongoing basis by ensuring appropriate levels of capital allocation to our businesses and redeploying discretionary capital for investment in future growth opportunities. This optimises RoGEV over the long term.

Our capital base is a primary safeguard to our clients and regulators that we will remain solvent and able to honour our value creation commitments. Sanlam must therefore proactively understand and manage the risks it is exposed to and manage the trade-off between the level of capital held by the Group and clients' and regulators' trust in our future solvency.

Our internal Group Estate committee reviews and oversees the management of Sanlam's shareholder capital base in terms of specific strategies approved by the Board. By their nature, the life and general insurance operations require the largest levels of allocated capital.

To optimise RoGEV over the long term, we manage capital allocation at the efficient frontier by balancing:

The level of capital required to meet target solvency cover ratios over the long term (the higher the target solvency cover ratios, the higher the amount of capital held)

The strategic asset allocation of the allocated capital (the more conservative the portfolio is invested, the lower the amount of capital held)

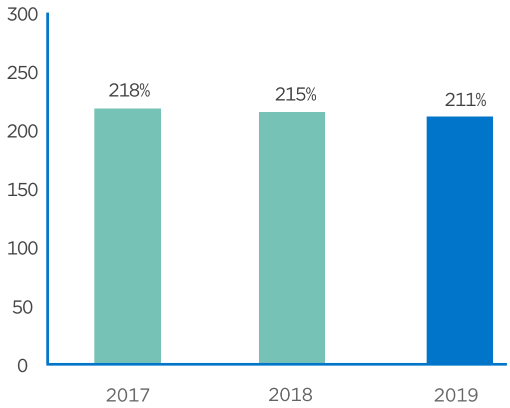
Expected net investment return to be earned on the allocated capital (the more conservative the portfolio is invested, the lower the expected investment return will be)

Key strategic risks associated with this pillar:

- Poor economic growth
- Simultaneous regulatory implementation
- Diversified growth initiatives
- Implementation of the Group's Pan-African strategy
- Political and social instability
- Severe weather/climate change

The Group is well capitalised and has solvency cover ratios in excess of the upper end of the target range. Read more about capital management in the Financial review.

Capital adequacy cover ratio – Sanlam Group



Efficient capital management has contributed largely to Sanlam's ability to deliver a cumulative RoGEV of 14,6% over the last 10 years.

Pillar connections and dependencies

Enhancing resilience and earnings growth through diversification

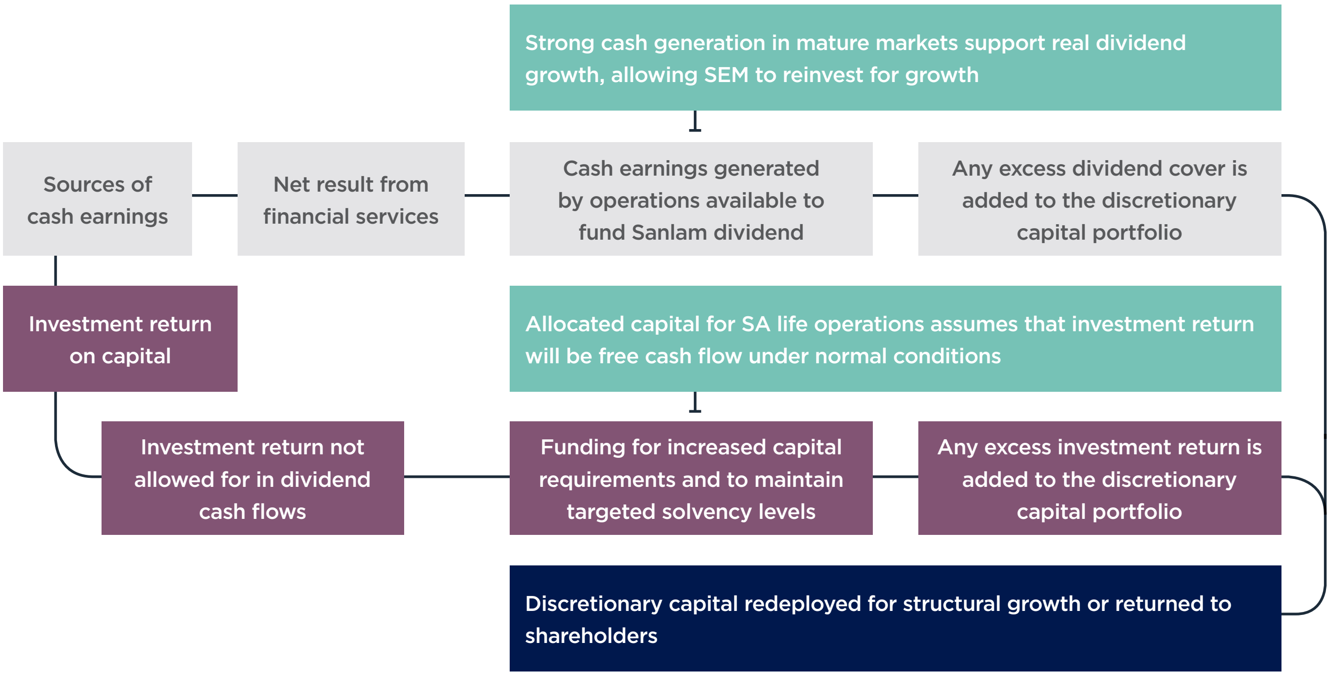
Volatility in top-line growth is strategically managed through diversification.

Extracting value through innovation and improved efficiencies

Our ability to develop client-centric solutions depends on our ability to innovate.

We have a dual focus in how we allocate capital: ensuring stable dividend growth while providing appropriate investment for future growth.

We are prudent: we only use free cash flow to fund dividends. Our dividend philosophy is embedded in our capital management approach – we therefore do not manage our capital and solvency through our dividend policy. We maintain a cash dividend cover ratio of between 1,0 and 1,2 times to manage smooth real dividend growth of 2% to 4% per annum over a three-year rolling period.



Responsible use of discretionary capital

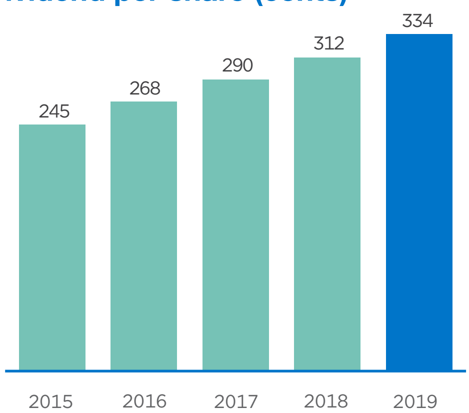
Our priority is to use available discretionary capital for investment opportunities that will enhance RoGEV and overall earnings growth. If discretionary capital cannot be used for investment in the foreseeable future, it is returned to shareholders through:

- Share buy-backs as a preference: We use GEV per share as an approximate ceiling for buy-backs – not as an indicator of the value of a Sanlam share, but because buying Sanlam shares at this level will be undisputedly value-accretive to shareholders.
- Special dividends if share buy-backs are not feasible: No share buy-backs or special dividends are currently under consideration.

What shareholders need to know about dividends

- Investment return on capital is not considered when determining dividend cash flows.
- Our dividend is thus not impacted by short-term volatility caused by the net investment return component of earnings.
- Potential volatility in net investment return is taken into account in setting our required capital levels. We can withstand severe investment market volatility and remain within our target solvency range.

Dividend per share (cents)



UNDERSTANDING OUR STRATEGIC RISKS AND OPPORTUNITIES

We recognise that the Group's core purpose, risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

Sanlam is one of the biggest internationally active insurance groups and a domestic systemically important financial institution in South Africa. Due to our potential impact on the system and the interconnected nature of financial services, the ability to effectively manage complex risks has to be a key capability.

Risks are managed on a preventive basis as far as possible through various risk management activities. Should they materialise, Sanlam's financial capital is available to absorb the financial impact and ensure we remain solvent and able to honour the commitments made to our clients. Sanlam's capital position remains strong, with the Group solvency ratio at 211%, well above the 100% minimum regulatory requirement.

We distinguish between strategic and operational risks, which are mitigated through a mature risk management governance structure:

The top-down approach is undertaken at an executive and senior management level, and considers the key strategic risks affecting Sanlam in the medium to long term. We also do a quarterly scan of external risk reports.

The clusters and business units undertake a bottom-up approach with the assistance of their risk management functions to assess all categories of key risks from an operational perspective.

Strategic risks

Key descriptor	Trend
Poor economic growth	↑
Disruptive threats/Fourth Industrial Revolution	→
Cyber-risk	→
Human resource scarcity and stretched resources	↑
Simultaneous regulatory implementation and uncertainty	→
Diversified growth initiatives	→
Transformation and diversity	→
Political and social instability	→
Severe weather/climate change	→

The table below provides detailed descriptions of the strategic risks and opportunities with mitigating actions.

Risks and opportunities	Mitigating actions
Changes in the global, regional and domestic macroeconomic environments can significantly affect local economic and market conditions in the markets where Sanlam businesses operate, directly impacting on Sanlam's ability to achieve its strategic intent to create sustainable value for all stakeholders. For example, by leading to poor investment returns and fund performance (lower assets under management (AUM), fees and profit), and increasing the cost of guarantees and capital requirements (lower profit and return on capital (RoC)). Poor economic growth scenarios can impact trading conditions, leading to weak growth prospects, pressure on household disposable income, and the conversion of prospects and new businesses volumes at the required profit margins. Read more in the section on operating context from page 37.	Market risk is managed continuously at product and portfolio level and further monitored at the different governance forums providing oversight. Exposure to unrewarded risk in estate portfolios is minimised through continuous balance sheet management. There is also significant focus across the Group on managing expense levels. SPF focuses on optimising distribution capabilities and evaluated strategic partnerships to exploit growth opportunities and gain access to under-penetrated market segments. Structural growth initiatives are also pursued to diversify and enhance the product offering. The diversification of the SEM portfolio provides some natural mitigation, although there may be higher correlation in the economic fortunes of some countries exposed to similar external factors, such as the price of oil. Businesses financial performance and hurdle rates are closely managed by the SEM management team. With the listed and traditional spaces under pressure, asset classes with high return characteristics, or alternatively which have asymmetric risk characteristics, will be in demand. SIG is developing competitive capabilities in the alternative space where higher yields can still be extracted from asset classes like unlisted credit, infrastructure, unlisted/private equity and other categories.
The ongoing **technological revolution** is fundamentally altering the way people (i.e. Sanlam's current and future clients, employees, partners, among others) live, work and relate to one another through technology. This coincides with longer-term changes in demographics and globalisation. Our ability to respond is hampered by slow and unwieldy legacy systems, duplicated efforts across clusters, lack of sufficient talent in modern software in South Africa and associated pressure on costs. International players and incumbent banks may disrupt the industries in which we operate throughout Africa. Thus, there is a risk that the Group's competitive position could be compromised should we fail to properly manage and respond to disruption, as the nature of the disruption is evolving quickly.	The Group-wide digital transformation project has entered its strategy phase, with assistance from McKinsey Group, bringing international expertise and experience to the project. The project will focus on improving Group-wide collaboration on digital transformation, focusing on simplifying products and business processes, while at the same time building and differentiating Sanlam's client engagement proposition. The Group BI project aims at building some of the foundational blocks using data to gain insights across a broad spectrum as well as the ability to measure changes at a more granular level. The current focus of the BI project is on value adding and regulatory use cases, while keeping the option to scale for renewal use cases. Good progress has been made with workloads in SPF with value already emerging. Workloads have also been initiated in the corporate cluster, while there is collaboration on infrastructure with SEM and Santam, including on IFRS 17. Further work is required in the SIG cluster, particularly focused on improving its master data management. Embedding the Group BI platform across all South African clusters in the Group is currently being considered and the use of data labs, as smaller units of discovery are looking to enable businesses. Renewal of existing administration platforms to be better suited to the changing environment in terms of agility and cost will receive renewed attention as part of the digital transformation project.

Risks and opportunities	Mitigating actions
Disruptive threats/Fourth Industrial Revolution *(continued)*	Successful implementation of robotic process automation in SPF and EB resulted in expanding the use of the technology. GTI is establishing a cloud account structure with AWS and Microsoft Azure as the selected cloud providers. This will enable businesses to leverage Infrastructure and Platform as a Service (IaaS and PaaS) offerings initially, but will also provide access to a variety of additional services in the medium term. Various experimental initiatives and innovative solutions that will appeal to new-generation consumers are being pursued in the business clusters, for example Sanlam Indie in SPF, the portal initiative in SEB, as well as Smartinvest and EasyEquities in SIG. The Sanlam client portal is establishing basic functionality and a mobile app for clients to enable client journeys of the future while GTI and SPF are defining the digital architecture for the future. The omni programme in SPF is focusing on establishing cross-channel building blocks to enable the omni-channel vision. As part of the Group's technology strategy an initiative was launched with the aim of enabling the workforce digitally. The creation of an internal mobile application for employees in conjunction with the renewal of the human resources systems environment is providing a base where users will be able to access information in the future. Process re-engineering and increased automation through projects such as IFRS 17. Increased interest and initial experimenting with machine learning in Businesses. Ongoing market scanning and research into developments and opportunities for partnerships, acquisitions and investments in start-ups in the InsurTech space. To this end we have signed up as an anchor partner with Plug and Play, a start-up accelerator and innovation platform headquartered in Silicon Valley, but with a presence in 26 locations across the world. Ongoing market scanning and research into developments and opportunities for partnerships, acquisitions and investments in start-ups in the InsurTech space continues. Read more about SPF's initiatives in this regard on page 92.

Risks and opportunities	Mitigating actions
Cyber-risk includes various risks related to digitised information, the supporting information technology infrastructure and increasing digitisation of all channels. New threats such as cyber hurricanes, increasing reputational risk and tougher data regulation mean that the threat of cyberattacks is escalating. Protecting against attacks demands more timely and effective risk intelligence, understanding the constantly morphing nature of the threats, developing the ability to detect anomalous behaviour of network software, improving users' security awareness and improving understanding of the crown jewels (critical data and systems) most at risk. Lasting damage is reputational and could be caused in a wide number of ways, the most prevalent being the theft or ransom of sensitive client data, the corruption of insurers' databases, fraud or the theft of intellectual property. The insurance industry is still unsure whether an insurer will be able to withstand a massive compromise of personal data. This is a critical dimension of this risk if seen against the fact that insurers' IT systems are considered to be part of the country's critical infrastructure.	Group Exco's IT Steering committee oversees the response to cyber-risk by executing the cyber-resilience strategy through a dedicated sub-committee. The crown jewels risk and cyber controls assessment identifies high-priority gaps, which are addressed by the Group Information Security programme. The second round of assessments was started in 2019 and will be completed by all businesses in 2020. The Group Cyber Security Centre (GCSC) continues improving core cyber-resilience capabilities such as intelligence, monitoring, detection and response. Members of the GCSC participated in a technical ransomware simulation facilitated the Financial Services Information Sharing and Analysis Center (FS-ISAC). The GCSC also developed threat-hunting capabilities: meaning an improved and proactive ability to search for network evidence that an attack is in progress. These capabilities are continuously being enhanced through learning and upskilling. We are working with the FS-ISAC, as well as the South African Banking Risk Information Centre (SABRIC) and ASISA to improve the level of threat intelligence that is available within the Europe, the Middle East and Africa (EMEA) regions. The creation of a Financial Service Threat Intelligence Sharing group has improved this collaboration and members now actively exchange threat information. The process to address newly discovered vulnerabilities is well managed. The Group is developing processes to resolve older vulnerabilities and a task team was established accordingly. The Group is also focused on improving password management to reduce the attack surface for cyber-risk. Read more about Sanlam's cyber-resilience on page 61.
Employees in key talent segments are stretched due to operational, regulatory and competitive challenges. Sourcing key talent – and particularly black talent – to address **human resource scarcity** remains challenging and adds further strain to existing employees. There are particular segments where Sanlam battles to find senior black specialist skills. These include, in particular, IT and specialist regulatory and governance roles, and general core business functions and management roles.	Group Executive committee decided in principle to manage the Group's top 100 talent pool centrally, ensuring better rotation and development of employees. We believe that the introduction of Success Factors will ensure improved talent attraction and management processes. Employee engagement, motivation and retention should all be enhanced as the digital platform facilitates and drives better people practices and a significantly improved employee experience. In the shorter term, we have retention plans for key resources and additional roles added to structures where necessary. We have increased the use of consultants and focus on rigorous identification of essential work as opposed to work that is less urgent. The increased accommodation of flexible work practices is driving motivation and productivity.

Risks and opportunities	Mitigating actions
Human resource scarcity and stretched resources *(continued)* Similarly, SEM is challenged by a lack of experienced in-country employees in specialist positions who satisfy Sanlam's requirements. This is compounded by pressure from in-country governments to appoint local skills, as well as in-country competitors actively targeting employees. Limitations on the deployment and secondment of resources from South Africa with the required industry experience adds further strain.	Over the long term, an increase in talent pipeline feeder programmes will build capacity. A recent addition to the graduate programmes and alternate investments academy is the development of the Sanlam Data Academy which will offer a two-year advanced and intensive training programme aimed at graduates from computer science, information science, engineering, mathematics and statistics. There is a continued focus on work practices, the enhanced employee value proposition and improved opportunities for career development and mobility. We are building the capability of resources internally through development interventions and encourage a sharper focus on the succession planning process. We are also investing in automation and simplification of processes to free up capacity. SEM increased its efforts to train and develop in country specialists to improve their skills. SEM human resources assists subsidiaries to enhance recruitment and selection processes and plays a stronger role whenever businesses appoint new people in critical vacancies. We initiated a talent map per country to identify local key talent pools and employ local skills.
Uncertainty and simultaneous regulatory implementation: Sanlam operates under the ever-evolving requirements set out by diverse regulatory, legal and tax regimes. Ongoing regulatory reforms can have a material impact on Sanlam's businesses. In South Africa considerable uncertainty still remains, especially in relation to further phases under RDR, NSSS and NHI. The move to the Twin Peaks supervisory model under the Financial Sector Regulation (FSR) Act formally commenced on 1 July 2018. The FSR Act stipulates that the Prudential Authority (PA) and Financial Sector Conduct Authority (FSCA) must progressively implement the provisions under the Insurance Act and Prudential Standards within two years of the effective date. This includes issuing new licences to all insurers and the designation of insurance groups in accordance with the FSR Act. During 2019, Sanlam received ad hoc information requests on a high-frequency basis (and short turnaround times to submit information) and the PA/FSCA conducted several on-site visits focusing on specific areas/themes.	Risk is mitigated by taking a proactive approach to investigating and formulating views on all regulatory proposals facing the financial services industry. Sanlam monitors and influences events to the extent possible by participation in discussion with regulators, directly and through industry associations (e.g. ASISA) and NEDLAC. All three South African-based clusters are continuously re-evaluating their business models and distribution to align with and obtain a competitive advantage in a changing regulatory environment (e.g. post RDR implementation). We use consultants to assist with regulatory requests where we do not have resources/capacity internally. Group-wide co-ordination, through a dedicated resource in each cluster, of implementation effort to achieve economies of scale, and a consistent approach. Sanlam established the Group IFRS 17 programme to implement IFRS 17. A quarterly progress report is tabled at the Sanlam Audit committee meeting. Sanlam is also participating via ASISA and SAICA to influence industry interpretation of the standard. The Group continuously engaged with the PA during the transition to the new supervisory model.

Risks and opportunities	Mitigating actions
Simultaneous regulatory implementation and uncertainty *(continued)* The PA recently informed Sanlam Limited of 12 meetings that the PA will be conducting in 2020. It is clear that the PA is familiarising itself with the insurance industry through this high level of engagement. On 13 August 2019 the PA informed Sanlam that it intends to designate Sanlam as an insurance group and Sanlam Limited as the controlling company of the insurance group. Since then, the scope of the Sanlam Limited Insurance Group was agreed with the PA and we have received a formal designation letter on 15 January 2020. Sanlam Limited's licence application was submitted on 14 February 2020. The first draft of the Conduct of Financial Institutions Bill (CoFI) was published for comment in December 2018. Although the FSCA indicated that the CoFI Bill would be finalised in 2019, this will clearly not be the case as much more consultation will be needed before the formal parliamentary process can start. A second draft of the CoFI Bill is expected in the first half of 2020. The release of IFRS 17, with an implementation date of 1 January 2022, require significant investment in building new valuation models and accounting systems, data management as well as process optimisation across the Group. For SEM, the number of insurers and stakeholders involved across multiple territories introduces further complexity to implement IFRS 17 for Sanlam. The simultaneous implementation effort is furthermore required for other known regulatory changes (e.g. anti-money laundering, financial crime, bribery and corruption regulations), and significantly hampers our ability to invest (time/resources) on other initiatives.	Management have taken steps to streamline reporting processes in order to meet the shorter quarterly quantitative reporting timelines. For the SEM cluster, the PwC project is setting a solid foundation that compliance will start leveraging off during 2020 in the interaction with the countries. The templates delivered to the countries are user friendly and easy to use. Quarter 4 of 2019 saw the completion of the planned rollout, except for Zambia and Mozambique that will be finalised in Q1 2020. Read more on the Sanlam Sustainability Portal: *www.sanlam.com/investorrelations/sustainability/*

Risks and opportunities	Mitigating actions
Diversified growth initiatives bring operational complexity and other strategic risks as the Group's footprint grows. This includes expansion into areas where the Group does not traditionally have expertise. As such, there is a risk that our operational capabilities are not geared or have not expanded enough or at an appropriate rate to provide necessary support to the acquired businesses or our business partners. The vast array of Group entities across Africa and South-East Asia makes alignment with Sanlam Group governance standards challenging. The conclusion of the Saham Finances transaction in 2018 increased this risk significantly and our ability to successfully implement this and other recent transactions will be a measure of our ability to implement our strategy. With stretched resources there may be an increased risk of not realising returns on businesses, acquired at higher multiples than before, leading to impairments. Other risks related to the Group's merger and acquisition activities include ill-judged strategic partnerships or acquisitions and poor post-merger or acquisition integration.	The Group's previous Financial Director, Heinie Werth, took over as CEO of SEM, with Junior Ngulube moving into the role of SPA Vice-chairman. Read more about the SEM leadership changes in the cluster report on page 152. The future SEM target operating model is being implemented. The establishment of a SEM Asset Management committee to oversee consistent governance and inform strategic investment across the continent will optimise returns for the SEM portfolio and shareholders. SEM rolled out the Sanlam Code of Ethical Conduct (Code) during 2017. Acceptance of the Code is done on an annual basis and reinforced through the risk appetite process. SEM increased its focus on managing risks from consumer credit and retail banking by establishing the SEM Retail Credit committee and by insourcing credit skills from SanFin. The Sanlam General Insurance Risk Forum was constituted through agreement between Sanlam, Santam and SEM to focus on the sound risk management of all general insurance entities within Sanlam. The forum also specifically focuses on opportunities for closer co-operation through information and risk sharing. Standardisation of insurance platforms is a key management action. This enables central governance, standardised functionality and sharing of costs. We have set appropriate hurdle rates for capital invested across emerging markets, to compensate Sanlam for the associated political, economic and business risks. SEM performs balance sheet reviews and analyses across the portfolio to safeguard assets. This includes ensuring that appropriate assets are invested to support capital and identifying mismatching of liabilities.
Transformation and diversity challenges and changing demographics makes it increasingly difficult to remain relevant in the South African context. However, the Group has made solid progress in terms of transformation, diversity and inclusion. This includes achieving and maintaining our B-BBEE level 1 status, the empowerment transaction concluded in 2018 and improved representation at management level. We remain focused on staying relevant and remain vigilant of challenges including amendments to the B-BBEE Codes in South Africa.	The Group concluded a share issuance to a new B-BBEE entity in March 2019. This issuance positions Sanlam as the foremost empowered insurance and investment management group in South Africa. Read more about the beneficiary selection process on the Sanlam Sustainability Portal: *www.sanlam.com/investorrelations/sustainability/* New black Group Executive committee members were appointed and the clusters committed to recruitment targets to shift internal leadership demographics. Cluster talent review processes are being enhanced as an input into this process and bi-annual discussions on top talent have commenced. Targeted recruitment strategies and participation in industry and societal initiatives such as the Youth Employment Services (YES) network further support our commitment. We established the Sanlam Data Academy to recruit and train young graduates in data science over a two-year period. This initiative is progressing well and has now being opened to internal employees. The Sanlam/Santam enterprise and supplier development programme continues in partnership with ASISA. Read more about this on the Sanlam Sustainability Portal: *www.sanlam.com/investorrelations/sustainability/*

Risks and opportunities	Mitigating actions
Instability has become a staple feature of South Africa's sociopolitical and economic environment with the trend increasing on a year-on-year basis. The phenomenon is fueled by income inequality, unemployment and poor service delivery. High levels of post-election optimism linked to President Cyril Ramaphosa are being affected by indications that the ruling party is divided on policy as well as on political and factional lines. These divisions have a direct impact on the government's efficiency and effectiveness in developing and implementing policies and managing the fiscus. SEM is invested in several economically and politically unstable countries, which can give rise to unintended consequences and new sources of risk.	Sanlam participates on different levels in engagement between business, labour and government. The Sanlam clusters operate in line with the relevant regulations and contributes to initiatives such as the YES campaign. SEM continuously monitors the political, economic and regulatory environments within which it operates and sources information from in-country as well as external and internal service providers. The cluster is strengthening its compliance capabilities to reduce the risk of non-compliance and improving its ability to deal with regulatory change. Ongoing and proactive engagement with in-country regulators/authorities helps to build and maintain positive relationships.
Sanlam recognises scientific evidence that the concentration of greenhouse gases emissions has been rising steadily and that global temperatures are likely to increase significantly. For Sanlam, **severe weather and climate change** give rise to various physical and transition risks. Physical risks: because of the combined effects of climate change and poor maintenance of infrastructure, risk insurance companies are expected to cover a wider range of risks. Insurance premiums are likely to increase as insurers and reinsurers carry the burden of claims arising from severe weather events. Flood and fire risks, particularly in sub-Saharan Africa are likely to increase. Insurers will have to look at ways of addressing this proactively, including raising awareness around the role insurers can play in risk transfer and risk management. **Transition risks:** the transition to a low-carbon economy, motivated by policy, market, technological, or reputational factors can affect the value of financial assets and give rise to transition risks. Stakeholders are also requiring more information from companies around how they are addressing increased weather-related risk. The Task Force on Climate-related Financial Disclosures (TCFD) has developed comprehensive recommendations and resources in support of more transparent disclosure and makes use of scenario analysis to evaluate climate-related financial risks and opportunities.	Sanlam joined ClimateWise – growing global network of leading insurance industry organisations that looks at how to effectively manage climate change. Sanlam is also looking at how to meet the new Financial Stability Board's Disclosure (TCFD) recommendations released in June 2017 in a pragmatic way. The recommendations from the TCFD provide a common international framework for companies and investors to translate information about climate change into financial metrics. The Group is looking at how to meet the new TCFD recommendations. The risk and sustainability teams are working at improving disclosure. Since its inception in 2006, the WWF-Sanlam partnership has collaborated on marine and freshwater projects – with R50 million invested in water security over the past 12 years. Read more about this on the Sanlam Sustainability Portal: *www.sanlam.com/investorrelations/sustainability/* In partnership with WWF-SA, Sanlam produced a water risk filter that assists with freshwater management. Freshwater-related risks can limit economic growth. This tool is increasingly being used by other corporates in South Africa. Sanlam and Santam set reduction targets to support carbon footprint and water usage management across main office buildings. Carbon emissions, electricity and water consumption, and waste generation are measured, monitored and reported against set targets on an annual basis. Sanlam has submitted its environmental performance data to the CDP since 2007. The expansion into credit assets means that Sanlam is investing more in longer-term infrastructure projects, such as renewable energy. Santam is partnering with municipalities across South Africa to manage fire and flood risks and to build understanding of the systemic risks inherent to the areas where we do business. Santam was the first African insurer to mobilise the short-term insurance industry in response to increasing climate and weather-related risk to address this need – a gap that can be termed "the risk protection gap". Santam's subsidiaries, Mirabilis and Emerald provide insurance cover for renewable energy technologies such as solar power, wind power, biomass energy production and hydropower. Read more about our response to climate change on the Sanlam Sustainability Portal: *www.sanlam.com/investorrelations/sustainability/*

Operational risks

The risks associated with the clusters' day-to-day operations inform the bottom-up approach to risk management. The maintenance of risk registers and reports in each area controls this process. Risk registers are aggregated and reviewed by each cluster's finance and risk committees or forums. Significant and emerging risks are escalated to Group level for consideration. The following are the key bottom-up risks facing the Group's business units and clusters:

Rank	Descriptors	Trend
1	**Poor economic growth** leads to challenging trading conditions making it difficult to maintain profit margins (particularly in light of ever increasing competition and upward pressures on the cost basis).	↑
2	**Market risk** arises from the level or volatility of market prices of financial instruments (including interest and exchange rate movements) having a negative impact on profitability. This includes the potential for poor investment performance on products.	→
3	**Human resource scarcity and capacity**, particularly in management, key employees and specialist functionaries with specific Sanlam and industry knowledge and expertise, including the retention of key employees, leadership succession and alignment with employment equity targets. This is due to the implementation demands related to strategic change initiatives and support capabilities while maintaining operational efficiency.	↑
4	**Credit risk** relates to the failure of a big South African bank, the failure of government or a government-related institution.	→
5	The risk of Sanlam not being able to appropriately respond to a large volume of **regulatory changes** implemented simultaneously. This can result from a high volume of concurrent draft regulation being developed within a tight timeframe. This also applies in terms of SEM's capability to comply with existing laws and regulations.	→
6	Loss of accuracy, confidentiality, availability and integrity of critical information including exposure to **cyber-risk**.	→

Emerging issues that are proactively managed

There is a specific focus on emerging risks that forms part of the top-down strategic risk assessment process. As part of this process, internal and external scanning of emerging risks is performed on a quarterly basis. Internal scanning includes input from key subject matter experts within the Group regarding emerging risks, whereas the external scanning process focuses on external industry and media risk reports. Emerging risks are therefore constantly tracked and assessed for potential impact.

Our process to identify emerging risks

Identification

- Quarterly scanning
- Internal
- External
- Top down strategic risks
- Sanlam Group level
- Cluster level
- Bottom up emerging risks

Assessment

- Consolidation of top down strategic and bottom up risks at Sanlam Group level
- **Sanlam Group Exco**: Review and assess the risks
- **Cluster Level Exco**: Review and assess the risks

Mitigation

- **Sanlam Group level**: Define management actions for top down strategic risks
- **Cluster level**: Define management actions for top down Strategic risks where applicable to cluster

Reporting/ Communication

- **Sanlam Board**
- **Sanlam Group**: Formal quarterly reporting in Sanlam Group ORSA on emerging risks
- **Cluster Level**: Formal quarterly reporting in cluster ORSA on emerging risk

Our governance approach to manage risks

The Board is ultimately responsible for overseeing risk management. The Risk and Compliance committee is mandated by the Board to advise and assist with the design and implementation of Sanlam's Group risk assurance framework and responsibilities. Therefore, the Risk and Compliance committee takes responsibility for approving the risk appetite and level of risk tolerance for the Group for recommendation to the Board, and monitoring the implementation of the Group risk assurance framework and supporting policies.

A comprehensive and mature enterprise risk management framework is in place, with appropriate risk escalation processes from a business unit to Group level. The enterprise risk management framework is reviewed annually. Sanlam's risk appetite statement is the key mechanism through which limits are set for material risk categories such as:

- strategic risk;
- capital and solvency risks;
- market risk;
- credit risk;
- liquidity risk;
- insurance risk (life and general insurance);
- operational risk; and
- conduct risk.

Risk management through the ORSA process

The Own Risk and Solvency Assessment (ORSA) is an overarching process that brings together the results from various processes embedded at the Group and cluster level as part of the Group ERM framework. The ORSA process consolidates the various outputs and provides an analysis of the risk capital required to be held in respect of the Group's risks, both currently and over the business planning horizon. The risk and capital assessments in the ORSA take account of the Sanlam's risk profile, approved risk appetite and business strategy.

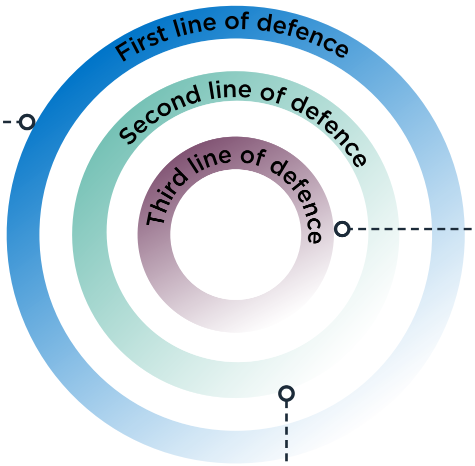
The Group risk function manages the ORSA process and drafts a quarterly Group ORSA Update report, which covers assessments and analysis of the Group's top-down strategic risks, bottom-up operational risks, risk profile, approved risk appetite, corporate credit risk, liquidity risk, current and projected capital and solvency positions, stress and scenario testing, and projections over the business planning horizon. After management review, the report is tabled at the next Sanlam Risk and Compliance committee and Board meetings.

The Group risk function is also responsible to draft the annual Group supervisory ORSA report in accordance with the requirements under the Prudential Standards. The Group supervisory ORSA report is discussed by management and recommended to the Board for approval before submission to the Prudential Authority.

The Group ORSA process is well established and supported by parallel ORSA processes at cluster level. All clusters report on assessments of cluster's strategic risks, top bottom-up risks, risk profile, risk appetite, emerging risks, issues as well as solvency, stress and scenario testing with forward-looking projections.

The Sanlam Board adopted the three lines of defence model for managing risks. This model defines the roles, responsibilities and accountabilities for managing, reporting and escalating risks and other matters throughout the Group. The model incorporates the oversight, management and assurance of risk management, essentially giving three independent views of risk. This approach ensures that risk management is embedded in the culture and daily activities of business units and provides assurance to the Board and Group Executive committee that risks are managed effectively.

The Sanlam Board determines the risk strategy, risk appetite and policy



1

First line of defence:

- Group Chief Executive and the Group Exco
- Risk-taking business units within the clusters

Roles and responsibilities:
Doing and recording

Delegated Board authority to:

- Develop and implement strategy
- Measure and manage performance
- Implement internal control and risk management framework within agreed risk appetite

Assurance:
management based

2

Second line of defence:

- Risk management and compliance functions within the clusters, with reporting to the Sanlam Group risk management function

Roles and responsibilities:
Internal verification

Objective oversight of risks. Key activities include:

- Designing and deploying the overall risk management framework
- Developing and monitoring policies and procedures
- Monitoring adherence to framework and strategy

Assurance:
risk and compliance based

3

Third line of defence:

- The Sanlam Board's mandated committees:
  - Risk and Compliance
  - Audit, Actuarial and Finance
- Internal and external assurance

Roles and responsibilities:
Independent verification

Independent and objective assurance over the effectiveness of corporate standards and compliance:

- Assurance that the risk management process is functioning as designed
- Identifies improvement opportunities

Assurance:
independent based

Risk categorisation and classification ensures that we have an effective and comprehensive risk management system.

The taxonomy is summarised as follows:

Level 1 risk categories	Example: operational, market, credit, conduct, strategic and other risks
Level 2 risk categories include a detailed breakdown of level 1 risks	Example: currency, property, settlement and process risk
For each level 2 risk, the relevant policies are listed	Example: investment, outsourcing, cyber and life underwriting risk policies
For each level 2 risk, the second level of defence oversight body is identified	Example: the compliance function, estate committees or actuarial forum
For each level 2 risk, the Group risk oversight responsibilities are set out in detail	Example: IT infrastructure and cyber-risks are monitored and reported by the Group Technology Infrastructure, Audit, Actuarial and Finance and Risk and Compliance committees. Oversight of IT governance is performed by the Risk and Compliance committee (Sanlam Life and Limited) by following a risk-based approach

The following diagram depicts the flow of risk management information from the individual business units to the Sanlam Life Board:

Sanlam Board committees

Audit, Actuarial and Finance	Risk and Compliance	Human Resources and Remuneration	Nominations
Non-Executive Directors	Customer Interest	Social, Ethics and Sustainability	Independent Non-Executive

Sanlam Life Risk and Compliance committee: assists the Sanlam Life Board in fulfilling its responsibilities

Sanlam Life Board: responsible for the Group's risk management framework and policy, as well as monitoring the effectiveness and disclosure thereof, in accordance with best practice

Sanlam Group

Sanlam Group Exco: as the Sanlam Board's overseer, responsible for ensuring that the businesses achieve optimal risk-adjusted returns

Group risk management: develops Group risk management framework, policy and guidelines for approval by the Sanlam Life Board, co-ordinates reporting responsibilities and improves risk management across the Group

Sanlam clusters

SPF SEM SIG SNT SC

Business and sub-business level risk management: identifies and manages risks faced by the business

Business level management committees: additional committees that may be established by a business to assist their executive committees in certain areas of risk management

Business level Risk and/or Audit committee/forum: assists the business level board in fulfilling its responsibilities to the Sanlam Life Board

There were no material breaches of our risk appetite statement. Read more about the role and focus areas of the Risk and Compliance committee in the online Corporate Governance Report.

The Sanlam Board and committees are ultimately accountable for risk management within the Group

Control functions such as the actuarial and Group compliance forums form an integral part of the line 2 risk oversight model. Each of the control functions contributes to robust Group oversight.	The Group risk management function is at the core of line 2 risk management oversight.	Specialist risk committees and centres of excellence provide varying degrees of line 2 risk management oversight.

The cluster risk management teams provide the bottom-up risk management support to the Group risk management function, performing line 2 risk management.

Sanlam clusters

SPF SEM SIG SNT SC

Focus areas for 2020

- Continue optimising technology to deliver aggregated data for analysis and insight
- Continue enhancing risk monitoring and Group supervision using risk data analytics
- Identify key operational risk indicators at Group level, which will be tracked using the Group-wide risk management system
- Ensure ongoing risk training and awareness across the Group

GOVERNANCE, LEADERSHIP AND REMUNERATION

OUR APPROACH TO GOVERNANCE

The Sanlam Board takes its leadership role and contribution to a stable financial system seriously and is committed to supporting financial resilience, well-being, prosperity and inclusion.

The Sanlam Board oversees a group of companies that has been in business for more than a century. Its role includes safeguarding this legacy while ensuring that the Group continues to create value for generations to come. The Board, in executing its fiduciary duties, among other things, remains the accountable custodian of corporate governance. It is committed to ensuring, collectively and individually, that sound governance principles are fully integrated into all aspects of the business. As a result, Sanlam's policies, processes and procedures are controlled and executed according to a structured and formal system. This encompasses managing the expectations of the Group's various stakeholders. These groups include, however are not limited to, those stakeholders who are affected by our business, those stakeholders who could potentially influence how we conduct business, and those stakeholders who have an interest in the Group's actions and how these are being performed.

Key governance milestones and focus areas

The Board held five meetings during 2019, to among others, deliberate strategic matters as well as attend to the execution of the corporate action that had been approved by Sanlam's shareholders on 12 December 2018.

Other focus areas during the year included:

- Implementing the Sanlam Group strategy;
- Reviewing and approving Sanlam's risk appetite statement;
- Reviewing and approving Sanlam's Group own risk and solvency assessment (ORSA) supervisory report. This included assessing the capital targets contained in the ORSA report to be adequate, i.e. given the size, business mix and complexity of the Group's operations;
- Regularly refining combined assurance models (CAMs) for each significant business within the Group;
- Ongoing compliance with and enhancement of the Sanlam Group corporate governance policy framework, including enhancing governance and compliance practices implemented across the Group. This included the recruitment of new independent non-executive directors to the Board, while taking cognisance of the recommendations made by shareholders and the Prudential Authority as well as in accordance with the JSE's diversity criteria;
- Ongoing adherence to the Group Information management and information technology (IIT) governance framework and charter, as well as the IIT policy framework;
- Evaluating the independent status of Sanlam's directors in accordance with King IV™ independent criteria and other indicators, and on a substance-over-form basis; and
- Proposing candidates for the Sanlam Audit, Actuarial and Finance committee to be elected by shareholders at the AGM held in June 2019. This process will be repeated in 2020 as members are elected annually at the AGM.

Areas considered for improved disclosure in the annual reporting suite for 2019 include:

- integrating Sanlam's resilience factors into the annual reporting suite;
- presenting Sanlam's remuneration report to shareholders to enable them to so that they could cast a non-binding advisory vote on the Company's remuneration policy; and
- updating the disclosure in the remuneration report in line with developing best practice.

Our Sanlam Group Business Philosophy

The Board's approach to ethical and effective leadership is directed by the Sanlam Group Business Philosophy. It explains in detail how the Group acts and conducts its business as a single entity and at the same time, positions the Group as "One Brand". It includes a summary of Sanlam's culture, its values and responsibilities, thereby encapsulating the way in which it does business and allocates resources. The Group Business Philosophy is underpinned by the Group's Code of Ethical Conduct which in turn, underpins Sanlam's core values.

Synopsis of the Group Business Philosophy elements

An entrepreneurial culture	We have an "owner-manager" culture, which is underwritten by the key concepts of entrepreneurship, empowerment and accountability. Sanlam attracts, recruits, supports and develops entrepreneurial and "intrapreneurial" self-starters who have a passion for what they do. We empower them, hold them accountable and reward them appropriately.
Traditional values	The essence of our culture is captured in traditional values such as honesty, hard-working, ethical behaviour, commitment, innovation, stakeholder value and strong ties with business partners.
Innovation	To attract and retain clients, Sanlam provides innovative financial solutions along the full extent of the wealth creation, management and protection value chain. To develop these solutions, we invest in and value diversity in our people, particularly for their contribution to innovative thinking.
Stakeholder value	We only seek win-win relationships with stakeholders, characterised by traditional values that follow the spirit of mutual intent rather than the letter of agreements.
Strong ties with business partners	We seek long-term, mutually beneficial relationships with business partners. When acquiring new businesses, Sanlam's general preference is for majority equity control.
Client-centricity	To generate revenue, a loyal and satisfied client base is of pivotal importance. This includes a value proposition that incorporates tailored financial product and service offerings, continuous appropriate advice delivery and an omni-channel presence. One of the fundamental underlying principles informing our approach to clients is based on the Treating Customers Fairly (TCF) regulatory framework.
Solution-oriented	We provide innovative financial solutions along the full extent of the wealth creation, management and protection value chain. Effective services, product development and pricing, distribution and branding can only occur if they serve the needs of the selected target market.
Business responsibility (federal model)	The five clusters are largely autonomous in their management of the business units within a framework of tight principles. The culture is one of "owner-manager", with synergy and co-operation among the clusters being maintained and supported by the Group Office combined with market and environment-related checks and balances. Interdependence and collaboration are clearly understood in the effort to generate maximum sustainable value and return on capital employed.

Governance in all markets

To support and develop mature governance and ethics structures and processes in all the markets where Sanlam operates, all companies across the Group are expected to adhere to and confirm compliance with Sanlam's governance principles in an annual representation letter from their respective boards addressed to the appropriate Sanlam governance structures. In addition, the Group continuously reviews and assesses the maturity of the risk management processes across the Group. There continues to be a strong focus on increasing the awareness, capacity and knowledge among Group entities.

King IV™ status

The Board is satisfied with the effort made, during 2019, to apply and explain all aspects of King IV™, as appropriate. The Risk and Compliance, the Audit, Actuarial and Finance, the Human Resources and Remuneration, and the Social, Ethics and Sustainability committees are all satisfied that Sanlam has complied with the King IV™ principles during 2019. Appropriate actions, where required, are being implemented to ensure continued adherence to the obligations placed upon the Group in this regard. The Group regularly assesses its compliance levels to ensure that all areas requiring improvement have been appropriately identified and addressed.

A register with a summary of the 17 principles that includes Sanlam's response to each principle is available on the Sanlam investor relations website.

Information management and Information technology (IT) governance

The Board exercises oversight and directs the strategic and operational use of technology and information. The Board's IT governance approach is complemented by the strengths of the federal business model of the Group by delegating IT decision-making to the appropriate cluster and/or business boards. In this way the Board directs the strategic and operational use and management of IT to ensure that benefits are realised in the clusters and businesses within an acceptable and articulated level of risk. IT governance capacity and awareness are continuously supported by the Board and management structures within the clusters and businesses.

The Group made a concerted effort to ensure that it adhered to the applicable suite of governance requirements outlined in the following legislation, among others:

- The Companies Act, 71 of 2008, as amended (Companies Act)
- The JSE Listings Requirements, as amended
- The Prudential Standards and Framework for Governance and Operational Standards for insurers

In the dynamic process of evolving and assessing the effectiveness of our governance approach and structures, we also consider the criteria used by the following:

- FTSE/JSE Responsible Investment Index Series
- Dow Jones Sustainability Index
- ISS-oekom corporate rating

The Sanlam Group has made commitments in terms of the following:

- Investor member of the CDP (formerly the Carbon Disclosure Project)
- Signatory to the Principles for Responsible Investments
- Signatory to the Principles for Sustainable Insurance
- Member of ClimateWise
- A partnership with WWF-SA

Following the release of King IV™, the SES committee charter was updated to align with the recommended practices of the King Code. These include assisting the Board with responsible investment (such as the promotion of good governance and value creation in all entities in which Sanlam invests).

The Board exercises its oversight responsibility, rights and obligations through elected representatives in the various companies in which it has invested. The Sanlam and Sanlam Life Board has the ultimate responsibility to ensure that Sanlam promotes good governance by investing responsibly. The Board achieves this through its Group Executive committee and the respective governance structures within each of the cluster businesses. The cluster executive committees have the responsibility to ensure that Sanlam's investments are managed in accordance with the policies and investment mandates. The Board requires that these governance practices promote responsible investment, achieve good governance, promote ethical culture and enhance effective control, good performance and legitimacy.

Examples of responsible investment include investing in support of economic growth and financial stability (funding provided to government and private enterprises, as well as liquidity provided to the banking system).

SIG subscribed to the Code for Responsible Investing in South Africa (CRISA) in 2011 and is committed to integrating the following five principles into its investment approach. In addition, SIG subscribes to the United Nations Principles for Responsible Investments (UNPR), upon which CRISA is based. SIG annually assesses its policy framework and implementation against the CRISA principles to compare its progress with that of its international peers.

Read more about responsible investment in the sustainability portal of the Sanlam investor relations website.

Board transactions and independence

Appropriate measures have been put in place to ensure that good governance practices are applied in related-party dealings and to issues relating to conflicts of interest or perceived conflicts of interest related to the non-executive directors. These include:

- To ensure best practice in managing conflicts of interests, the Sanlam Board constituted an Independent Non-Executive Directors committee. This committee specifically evaluates matters relating to independence and conflicts of interests in related-party transactions within Sanlam. The committee is chaired by Sipho Nkosi who also functions as the Group's lead independent director (LID).
- As part of its annual independent Board evaluation process, which is conducted by an external service provider, the Board implemented a best practice recommendation to formulate a Board criteria document to manage the potential conflicts of interest that might arise in dealings between all interested and related parties within Sanlam, including Ubuntu-Botho (UB) and African Rainbow Capital (ARC). The intention of the criteria document was to ensure that the Sanlam Board remains independent without any favouritism to any other party. After the appointment of Dr Johan van Zyl as Chair of the Board in 2017, the Board added certain governance principles to the Board criteria document. These are being reviewed on an annual basis by the Nominations committee and are of particular importance when the Board, with the assistance and guidance of the Nominations committee, considers new appointments to the Board as well as for the purposes of succession planning being applied at Board level.
- All conflicted directors recuse themselves from all Board deliberations relating to any conflicts or perceived conflicts of interest matters at the Sanlam Board or committee meetings.

On 12 December 2018, a (AGM) was held to obtain the necessary shareholder approval to implement a corporate action with related parties, specifically Ubuntu-Botho Investments (UBI). Pursuant to this corporate action, Sanlam received some recommendations on refining its governance at Board level. The Board takes cognisance of these recommendations and remains committed to continuous improvement in its governance practices.

Specifically, the Board agreed to implement the following three steps from 2019 to lift the level of governance and to allow shareholders to better express their opinions:

- Two new independent non-executive directors (Andrew Birrell and Elias Masilela) were appointed to the Board during 2019 with a further independent non-executive appointment (Kobus Möller) effective from 1 January 2020. These appointments were part of a rigorous process adopted to strengthen the independence of the Board. In 2018, the Board already appointed two new independent non executive directors (Mathukana Mokoka and Shirley Zinn), who joined the Board during the 2018 financial year. The five new directors replace some recent Board retirees and should serve the Board well for the foreseeable future.
- The Board will in future provide more detail on the independence assessments done by the Board in respect of each non-executive Board member, including the reasons why the Board is of the opinion that a specific Board member should continue to serve on the Board – either as an independent or a non-independent member.
- The Board has agreed that in future, shareholders will be able to vote annually on the continued Board membership of all independent non-executive directors being on the Board for more than nine years, as well as in the case where the non independent director is the Board Chair.

THE BOARDS OF SANLAM AND SANLAM LIFE

Sanlam Limited (Sanlam) is the holding company with a primary listing on the JSE, a secondary listing on the NSX and a listing on A2X. Sanlam Life Insurance Limited (Sanlam Life) is a wholly owned subsidiary of Sanlam Limited and conducts mainly life insurance business. In practice, the two boards function as an integrated unit, as far as possible. Both boards have the same directors, Chairs, executive directors and Group Chief Executive.

The Sanlam and Sanlam Life board meetings are combined and held concurrently, thereby removing one layer of discussions in the decision-making process. This promotes the productivity and efficiency of the two boards, reduces effort and optimises the flow of information.

The Sanlam Board

The Board's agenda centres largely on Group strategy, the execution of capital management, accounting policies, financial results and dividend policy, human resource development, JSE Listings Requirements and corporate governance throughout the Group. The Board is also responsible for overseeing the relationship with key stakeholders of the Group. The Board has the following committees:

- Audit, Actuarial and Finance
- Risk and Compliance
- Human Resources and Remuneration
- Nominations
- Non-Executive Directors
- Customer Interest
- Social, Ethics and Sustainability
- Independent Non-Executive Directors

The Sanlam Life Board

The Sanlam Life Board is responsible for statutory matters across all Sanlam businesses, monitoring operational efficiency and operational risk issues throughout the Group, and ensuring compliance with the requirements set out in the Prudential Standards under the Insurance Act, 18 of 2017 (Insurance Act).

The responsibility for managing all Sanlam's direct subsidiaries was formally delegated to the Sanlam Life Board. The Sanlam Life Board has the following committees:

- Audit, Actuarial and Finance
- Risk and Compliance
- Human Resources and Remuneration
- Customer Interest

Sanlam Limited Board

Audit, Actuarial and Finance	Risk and Compliance	Human Resources and Remuneration	Nominations	Non-Executive Directors	Customer Interest	Social, Ethics and Sustainability	Independent Non-Executive Directors

Sanlam Group Executive committee

Five business clusters supported by a Group Office

- SPF – Sanlam Personal Finance
- SEM – Sanlam Emerging Markets
- SIG – Sanlam Investment Group
- SNT – Santam
- SC – Sanlam Corporate

Cluster boards and committees

Sanlam's decentralised business approach requires that each of its business clusters operates in concert with its underlying business units. However, all entities within the Group are required to endorse the spirit and principles of King IV™ by putting measures in place to ensure good corporate governance business practices. All businesses and governance structures in the Group are supported by clear approval frameworks and agreed-upon business principles, aimed at ensuring a coherent and consistent application of the Group's governance approach across the businesses.

Key facts about Sanlam's Board of directors at 31 December 2019

16 Board members

5 years 9 months average tenure as a Board member

10 years 3 months of collective Board experience

58 average age of Board members

11 male Board members

5 black female Board members

5 average other board memberships

4 black male Board members

5 Board meetings in 2019

3 newly appointed Board members in 2019

96% attendance at Board meetings

3 non-executive Board members (not independent)

7 Board committees

9 independent Board members

4 executive Board members

Board composition

The Nominations committee follows a formal process to review the balance, effectiveness and diversity of the Board and its committees. It identifies the skills required and, in a fair and thorough manner, those individuals that could provide the requisite skills. The Nominations committee also considers the annual commitments of potential directors and whether each director will have sufficient time to fulfil his/her responsibilities as director of the Sanlam Board. If the Nominations committee is of the view that a director is overcommitted or has an unmanageable conflict of interest, the Chair will meet with that director to discuss the resolution of the matter to the satisfaction of the committee.

Board diversity

Sanlam recognises and embraces the benefits of a diverse Board. Targets to increase the number of female Board members are set and reviewed every year by the Nominations committee and recommended to the Board. The target that was set for the 2019 financial year was women had to represent 35% of the Board members at year-end. Non-executive and executive directorships were included in the mentioned diversity targets.

Following a rigorous process, the Sanlam Board made notable progress in attracting and appointing astute talent and expertise by appointing Andrew Birrell and Elias Masilela.

The targets set for the 2020 financial year include maintaining the Group's current performance and retaining the existing talent that had been attracted and appointed to the Board during 2019. The objective remains to continuously improve on and enhance the Group's key transformation and diversity deliverables.

Board independence

The independence of each non-executive director is reviewed annually. Their independence in character and judgement, as well as the presence of any relationships or circumstances which are likely to affect, or could appear to affect, their objectivity, are taken into consideration. Each director has the opportunity to declare any interests that might occur at each Board meeting. This is documented, and the relevant director is recused from the meeting. Based on the recommendation of the Nominations committee, the Board is comfortable that each of the non-executive directors met the requisite fit and proper requirements which include the criteria for independence. This assertion, however, excludes Patrice Motsepe, Rejoice Simelane and Johan van Zyl, owing to their involvement in UB. Ian Kirk, Heinie Werth, Jeanett Modise and Temba Mvusi are executive directors. Anton Botha and Sipho Nkosi are long-standing members of the Board. However, due to their tenure, the Board has agreed to retain them as Board members, however, recognised them as non-independent with effect from 10 June 2020.

As at 31 December 2019, the status of Dr Johan van Zyl as the Chair of the Board was evaluated as not independent, as defined by King IV™ and the JSE Listings Requirements. The Board considered this governance deviation but agreed that

Dr Johan van Zyl's long-term association with Sanlam, combined with his industry experience and expertise, were all factors that were paramount in ensuring that he adds value to the Board as well as the Group's future growth.

In promoting good governance and to continuously evaluate the Board's performance and effectiveness in executing its governance responsibility, the Board appointed a lead independent director and established an Independent Non-executive Directors committee as a committee of the Board.

The lead independent director serves as a sounding board for the Chair and acts as an intermediary between the Chair and other members of the Board, if and when necessary.

Shareholders were informed at the Sanlam AGM in June 2019 that Dr Johan van Zyl had indicated that he would be stepping down as Chair at the AGM, scheduled for 10 June 2020. A key item on the Nominations and Board committee agenda in 2019 has been to identify a suitable successor as Chair. As part of the Group's commitment to sound corporate governance practices, including transparency, the Prudential Authority has been receiving frequent updates regarding the process followed in this regard as well as progress made over time.

Changes to the Board in 2019

The following directors were appointed to the Board:

- Andrew Birrell (effective 1 September 2019) – independent non-executive director;
- Elias Masilela (effective 1 October 2019, however, his Board participation commenced 3 December 2019) – independent non-executive director;
- Jeanett Modise (effective 1 September 2019) – executive director; and
- Kobus Möller (effective 1 January 2020) – independent non-executive director.

In addition, Heinie Werth stepped down as the Group's Financial Director (effective 1 August 2019) to assume his new role as Chief Executive Officer at one of the largest business clusters within the Sanlam Group, namely Sanlam Emerging Markets. He, however, remained serving on the Board in his capacity as an executive director. In the interim, Wikus Olivier was appointed as interim Chief Financial Officer (CFO) until such time when the Group has finalised the recruitment of the Financial Director's successor. A SENS announcement had been issued in this regard during July 2019, in order to inform shareholders of the aforesaid development. The JSE has confirmed the interim CFO position until 30 June 2020.

Board evaluation

Every year, a Board effectiveness evaluation is conducted under the auspices of the Nominations committee and in consultation with the Chair. The objective is to determine ways to improve the Board's effectiveness. These assessments are transparent and documented. The Board Chair's own performance is appraised by the Board under the direction of the LID. The Nominations committee considers the results of the evaluation process and makes recommendations to the Board where deemed appropriate. During the 2019 financial year, this assessment was performed with the assistance of an external service provider – the Institute of Directors in South Africa NPC (IoDSA). The evaluation (which was a combination of a detailed questionnaire and interviews being held) confirmed that the Board and its committees, were functioning effectively and that there were no material matters to report. Each committee has a standing agenda point on training to ensure that all members are able to execute their fiduciary duties effectively and efficiently.

The Board is satisfied that its current composition as at the end of the reporting cycle reflects an appropriate mix of knowledge, skills, experience and diversity. The Board has the necessary comfort that appropriate measures are in place to ensure its independence. As per the JSE's Listings Requirements amendments that were published in November 2019, the Board (with the assistance of the Nominations committee), initiated a process to ensure compliance with the requisite requirements pertaining to the composition of the Board and in particular the diversity of same. This included amending the Nominations committee's charter as part of its annual review, to ensure alignment.

Key future focus areas for the Board

In the next financial year, the Board will pay particular attention to the following:

- addressing the perceived lack of independence of some Board members through a range of initiatives;
- enhancing sound corporate governance practices across the Group as well as adopting a heightened approach to compliance risk management;
- improving the Group Chief Executive and Group Financial Director succession processes to be more granular, based on key competencies and aligned to Sanlam's transformation agenda; and
- maintaining a focus on being agile and innovative in a world of business where technology, disintermediation and fast-changing client behaviour affect culture and risk management.

OUR LEADERSHIP TEAM

The full profiles of our Board members, including their date of appointment, age, skills and expertise are available on the investor relations website. Below are the Board members as at 31 December 2019 with their independence status and membership of the respective Sanlam Board committees.

> The Board members recognise their responsibility to exercise effective leadership by – collectively and individually – adhering to their fiduciary duties at all times.

Board member	Committees
Johan van Zyl	NE
Patrice Motsepe	H, N, NE
Ian Kirk	
Heinie Werth	
Anton Botha	H (C), A, R, NE
Andrew Birrell	A, R, NE
Paul Hanratty	C, S, A (C), R, NE
Mathukana Mokoka	A, R, NE
Temba Mvusi	S
Sipho Nkosi	N (C), S (C), H, NE
Karabo T Nondumo	H, A, R, N, C, NE
Rejoice V Simelane	S, NE
Chris Swanepoel	R (C), C (C), NE
Jeanett Modise	
Shirley Zinn	H, NE
Elias Masilela	S, NE

Key

- A – Audit, Actuarial and Finance
- R – Risk and Compliance
- H – Human Resources and Remuneration
- NE – Non-Executive
- S – Social, Ethics and Sustainability
- C – Customer Interest
- N – Nominations
- N – Non-executive
- E – Executive
- I – Independent
- C – Committee chair

OUR APPROACH TO REMUNERATION

The Sanlam Limited Board of directors (Board) has responsibility for the governance of remuneration in the Sanlam Group. The GHRRC is mandated by the Board to ensure that the organisation remunerates fairly, responsibly, and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium, and long term.

Sanlam's remuneration philosophy and policy support the Group strategy by incentivising the behaviour required to meet and exceed predetermined strategic goals. Both short and long-term strategic objectives are measured and rewarded. This blended approach mitigates excessive risk-taking and balances longer-term strategic objectives with short-term operational performance. The remuneration philosophy is therefore an integral part of Sanlam's risk management structure. In setting up the reward structures, cognisance is taken of prevailing economic conditions as well as local and international governance principles.

A great deal of attention is given to correctly position both the nature and the scale of remuneration relative to relevant comparator groups and international best practice. Steps are also taken to ensure alignment with the applicable regulatory and governance requirements in each of the countries in which Sanlam operates. In South Africa, those specifically include the Prudential Standards (Governance and Operational Standards for Insurers, issued in terms of the Insurance Act) and King IV™, while also conforming to the remuneration principles contained in the Codes of Good Practice which support employment equity legislation.

Sanlam is the sole or part owner of a number of subsidiaries, joint ventures and associates. While compliance with the Sanlam Group remuneration strategy and policy is primarily targeted at operating subsidiaries, Sanlam will use its influence to encourage the application of sound remuneration practices in those businesses where it does not hold a controlling interest. In businesses outside South Africa, where the Group remuneration policy is in conflict with local statutes or regulations, the local standards will apply.

During 2019, the GHRRC considered and where applicable approved the following matters:

- Review of market benchmarking on LTI scheme design and changes to the remuneration policy regarding the design of performance conditions for long-term incentive awards
- Refinements to the Sanlam malus and clawback policy and principles
- Benchmarking of Sanlam executive directors and members of the Executive committee's remuneration against a suitable market
- Benchmarking of Sanlam non-executive directors' remuneration against best practice and available market information and recommending increases to be considered by shareholders at the AGM for the 2019/2020 fees
- Review of Sanlam's remuneration policy and practices in South Africa against prudential standards, King IV™, applicable governance principles and market best practice
- The remuneration design of heads of control functions and persons whose actions may have a material impact on the Group's risk exposure
- The appointment of Group Executive committee members (internal and external appointments) and the ratification of the appointment of certain executive employees
- STI and LTI awards to Executive committee members
- STI measures achieved for the accrual of bonus pool/s and achievement of performance conditions for the vesting of LTIs
- Findings and analysis on gender pay equity across all levels in the Group and appropriate actions in this regard
- Measures to support existing strategies to correct the under-representation of black people at the executive and senior management levels in the Group
- The work and decisions of other Sanlam Group companies' human resources (HR) and remuneration committees and approval of overall mandates on remuneration increases and variable remuneration (short and long term) per the delegation of authority framework

Shareholder engagement on remuneration

At the 2019 annual general meeting (AGM) (relating to the 2018 financial year) our remuneration policy received a positive vote of **98,35%**, while our implementation report received a positive vote of **93%**.

See summary below of shareholder voting outcomes over the past three years.

Shareholder voting results at AGM from 2016 to 2018

	For	Against
AGM in respect of 2018 remuneration policy	98,35%	1,65%
AGM in respect of 2018 implementation report	93%	7%
AGM in respect of 2017 remuneration policy	94,67%	5,33%
AGM in respect of 2017 implementation report	71,52%	28,48%
AGM in respect of 2016 remuneration report (one vote)	95,91%	4,09%

In 2019 our remuneration policy remained largely unchanged, apart from some enhancements to the performance conditions applicable to Performance Deferred Share Plans (PDSPs) and Restricted Share Plans (RSPs). The amendments were informed by a detailed review of market best practice and we proactively consulted with a selection of shareholders and other stakeholders on the changes.

> Our approach to this year's reporting is to highlight the changes to the remuneration policy, the rationale therefore and to provide an indication of focus areas for 2020.

Our approach to engagement

In terms of our approach to ongoing shareholder dialogue, we proactively engaged with a selection of shareholders on the material changes to the design of performance conditions by way of individual conversations during the 2019 year.

Our general approach to shareholder consultation is:

- The GHRRC welcomes engagement with shareholders and encourages shareholders to put their ideas to the GHRRC.
- Once shareholders have had time to study the Remuneration Report we would appreciate feedback, preferably in writing. The GHRRC chair will then respond to queries and input from shareholders in writing and he will be available for a discussion in this regard.
- If shareholders would like to make suggestions or provide input to the GHRRC at other times during the year, it will be appreciated and will be handled in the same manner as set out above.

The feedback received from shareholders on the 2019 policy changes was positive. We commit to ongoing transparent shareholder dialogue on all material remuneration matters.

For the 2020 AGM the remuneration policy and the implementation report of the Remuneration Report will be tabled separately for non-binding advisory votes by shareholders. In the event that either or both the policy or implementation report are voted against by 25% or more of the voting rights exercised, the ongoing engagement process as outlined herein will be followed.

KEY POLICY CHANGES

The design of performance conditions for PDSPs and RSPs was amended in 2019 as follows:

Changes to performance conditions	Rationale
Moving from actual Return on Group Equity Value (RoGEV) to adjusted RoGEV	It is accepted as a sound principle that the Group Human Resources and Remuneration committee (GHRRC) should have discretion to ensure that unintended consequences of remuneration design are addressed for a fair outcome to all stakeholders. This discretion also exists for long-term incentives and the performance conditions attached thereto. It is important that discretion be applied consistently and within disclosed parameters. Typically, events that warrant discretion being applied are those items included in the Company's calculations to adjust actual RoGEV in order to get to the reported adjusted RoGEV (for example, interest rate, exchange rate and equity market volatility and changes in tax legislation). Therefore, a move from actual RoGEV to adjusted RoGEV will ensure consistency, be more transparent and makes commercial sense. This approach is also supported by market benchmarking and in line with the approach followed by competitor companies. The cost of capital (CoC) hurdle for adjusted RoGEV was also increased in 2019 to create more stretch. See page 16 of our online Remuneration Report where detailed performance conditions are disclosed as part of the 2019 remuneration policy. The principle of GHRRC discretion remains, but is expected to have limited application as most extraordinary events outside of management's control are already adjusted for in determining adjusted RoGEV.
Additional performance condition: dividend growth	Historically RoGEV was the only financial hurdle against which performance was measured for vesting (in additional to individual performance hurdles). As this is the key strategic metric for Sanlam, it remains the most prominent condition, however, dividend growth was introduced as an additional condition. Dividend growth is a good balance to RoGEV as a measure of the efficiency of our cash flow generation and is also an important part of Sanlam's investor value proposition. The weighting between the financial performance conditions for PDSPs and performance RSPs is as follows: - Group RoGEV (70%) - Group dividend growth (30%) PDSPs awarded to employees with long-term incentive (LTI) multiples (in total) exceeding 175% of total guaranteed package (TGP) carry a cluster RoGEV condition as well. See page 16 of our online Remuneration Report for detail in respect of the 2019 performance conditions.
Linear vesting between hurdles (setting threshold and target performance levels)	To address the risk of "hit or miss" vesting where categories of PDSPs and performance RSPs only have one target, the principle of linear vesting between threshold and target hurdles for each category of performance hurdles was introduced. Therefore, for each category and type of PDSP and for performance RSPs there will be a minimum threshold level of performance (which will result in 50% vesting) and a target level of performance (which will result in 100% vesting). For detail in respect of the 2019 hurdles in terms of types of performance shares, types of performance conditions, weighting, minimum (threshold) and maximum (target) performance levels and the vesting percentage at the performance achieved refer to page 16 and page 28 of our online Remuneration Report.

REMUNERATION OVERVIEW

Design principles

In applying the remuneration philosophy and implementing the total reward strategy, a number of principles are followed:

- **Pay for performance:** Performance is the cornerstone of the remuneration philosophy. On this basis, all remuneration practices are structured in such a way as to provide for clear differentiation between individuals with regard to performance. It is also positioned so that a clear link is maintained between performance hurdles and the Sanlam strategy.
- **Competitiveness:** A key objective of the remuneration philosophy is that remuneration packages should enable the Group and its businesses to attract and retain employees of the highest quality in order to ensure the sustainability of the organisation.
- **Leverage and alignment:** The reward consequences for individual employees are, as far as possible, aligned with, linked to and influenced by:
  - the interests of Sanlam shareholders (and, where applicable, minority shareholders in subsidiaries);
  - the interests of other stakeholders (for example, employment equity, client service, the community);
  - sustainable performance of Sanlam as a whole;
  - the performance of any region, business unit or support function; and
  - the employee's own contribution.
- **Consistency and fairness:** The reward philosophy strives to provide a framework that encourages consistency, but allows for differentiation where it is fair, rational and explainable. Differentiation in terms of market comparison for specific skills groups or roles is necessary and differentiation concerning performance is imperative. Unfair differentiation is unacceptable.
- **Attraction and retention:** Remuneration practices are recognised as a key instrument in attracting and retaining the required talent to meet Sanlam's objectives and ensure its sustainability over the long term.
- **Shared participation in relevant components of remuneration:** Employee identification with the success of Sanlam is important owing to the fact that it is directly linked to both Sanlam's and individual performance. All employees should have the chance to be recognised and rewarded for their contribution and the value they add to Sanlam, and, in particular, for achieving excellent performance and results, in relation to Sanlam's stated strategic objectives. The performance management process contributes significantly towards obtaining this level of participation and towards lending structure to the process.
- **Best practice:** Reward packages and practices reflect local and international best practice, where appropriate and practical.
- **Communication and transparency:** The remuneration philosophy, policy and practices, as well as the processes to determine individual pay levels, are transparent and communicated effectively to all employees. In this process the link between remuneration and Sanlam's strategic objectives is understood by all employees.
- **Market information:** Accurate and up-to-date market information and information on best practice are crucial factors in determining the quantum of the remuneration packages.
- **Malus and clawback:** Where defined trigger events take place provision is made for redress against remuneration through either malus (pre-vesting forfeiture) or clawback (post-vesting forfeiture). Malus and clawback provisions and the application thereof to trigger events are governed by the Sanlam Group malus and clawback policy, which is a related policy to this Group remuneration policy and these provisions will be incorporated in relevant remuneration governance documents/rules.

For Sanlam to remain competitive, remuneration policies and practices are evaluated regularly against both local and international remuneration best practice and governance frameworks, most notably King IV™ and the Prudential Standards.

Sanlam's remuneration components

Element	Purpose	Performance period and measures	Operation and delivery
Total guaranteed package (TGP)	Core element that reflects market value of role and individual performance	Reviewed annually based on performance against contracted output and market surveys. Benchmarked against comparator group and positioned on average on the 50th percentile	Guaranteed package is delivered to the employee as a cash salary and a mix of compulsory and discretionary benefits
STIs (annual bonus)	Creates a high-performance culture through a cash bonus in relation to performance against predetermined outputs	Annual, based on 12-month (financial year) performance with the aim to remunerate outstanding performance in excess of market mean	Based on different levels and predetermined performance hurdles for business and individual/strategic targets Cash settlement generally capped at 200% of TGP In certain businesses deferral principles apply
LTIs	Alignment with shareholder interests	Annual awards vesting in tranches in years 3 (40%), 4 (30%) and 5 (30%) Some legacy awards may vest up to 6 years	Upon satisfaction of financial performance hurdles as well as individual/strategic performance measures

Key 2019 remuneration facts

Sanlam delivered a satisfactory performance during the 2019 financial year, despite many headwinds. All of the targets set for 2019 were, however, not met given the challenging operating environment, with a particular underperformance in adjusted RoGEV. This resulted in a weighted average bonus achievement of 92,8% (2018: 114,3%) at a Group level.

For the year ended 31 December 2019 the following long-term incentive allocations were made:

- 4 513 920 shares (2018: 3 978 478) were made to 916 participants (2018: 915) under the Deferred Share Plan (DSP).
- 1 215 891 shares (2018: 1 517 182) were made to 215 participants (2018: 237) under the Performance Deferred Share Plan (PDSP).
- 433 037 shares (2018: 390 433) were made to 20 participants (2018: 18) under the Restricted Share Plan (RSP).

Minimum shareholding requirement (MSR)

To encourage alignment between executive and shareholder interests, Sanlam applies a minimum shareholding policy to all current and future members of the Sanlam Executive committee defined as prescribed officers, including Sanlam executive directors (participating executives). In terms of these arrangements, the following minimum shareholding levels, expressed as a percentage of annual TGP, must be reached by the later of 31 December 2021 or within six years from the date of appointment of a participating executive:

Group Chief Executive	175%
Financial Director	125%
Business executives	100%
Support executives (with business responsibilities)	75%
Support executives	50%

Participating executives are required to maintain the target shareholding throughout their tenure with the Group. Unvested shares under any LTI arrangement will not be taken into account when assessing compliance with the MSR policy.

Linking remuneration to strategy execution

Sanlam operates four long-term incentive plans. Measurements for all plans are linked to the four strategic pillars. The Exco members' scorecards contain strategic targets and outcomes to drive execution. Due to their roles and line of sight, the performance scorecards contain financial targets as well as other strategic targets. However, generally, financial targets comprise the majority of performance scorecard metrics. The Group Exco members have the following financial and strategic metrics for vesting of long-term incentives.

Strategic measures supporting Group business strategy Weighting >20% – 35%[1]	Ian Kirk	Heinie Werth Financial Director role	Heinie Werth CE: SEM role	Anton Gildenhuys	Lizé Lambrechts	Temba Mvusi	Robert Roux	Jurie Strydom	Junior Ngulube	Thinus Alsworth-Elvey	Jeanett Modise	Sydney Mbhele	Wikus Olivier
Cost efficiencies/ optimisation	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
Growth and diversification	✓	✓	✓		✓	✓	✓	✓	✓	✓			✓
Strategic partnerships	✓	✓	✓			✓		✓	✓	✓			
Transformation and sustainability factors	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Leadership and collaboration	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Governance and risk management	✓	✓	✓	✓							✓	✓	✓
Regulatory strategy				✓									✓
Balance sheet management[2]				✓									
Advanced analytics				✓									
New products and channels/effective distribution channels			✓					✓					
Actuarial compliance				✓									
Treating Customers Fairly (TCF)			✓		✓	✓	✓	✓	✓	✓			
Brand and marketing												✓	

(1) *Chief actuary and risk officer have 100% weighting to strategic objectives due to the role. The Chief Executives of HR and Brand and the Interim Chief Financial Officer have 50% exposure to these metrics.*

(2) *Includes elements of embedded value enhancements.*

Future areas of focus

In 2020 the GHRRC will focus on a holistic review of variable remuneration design for Executive committee members, including cash bonuses, deferral mechanisms, types and levels of long-term incentive awards and risk alignment.

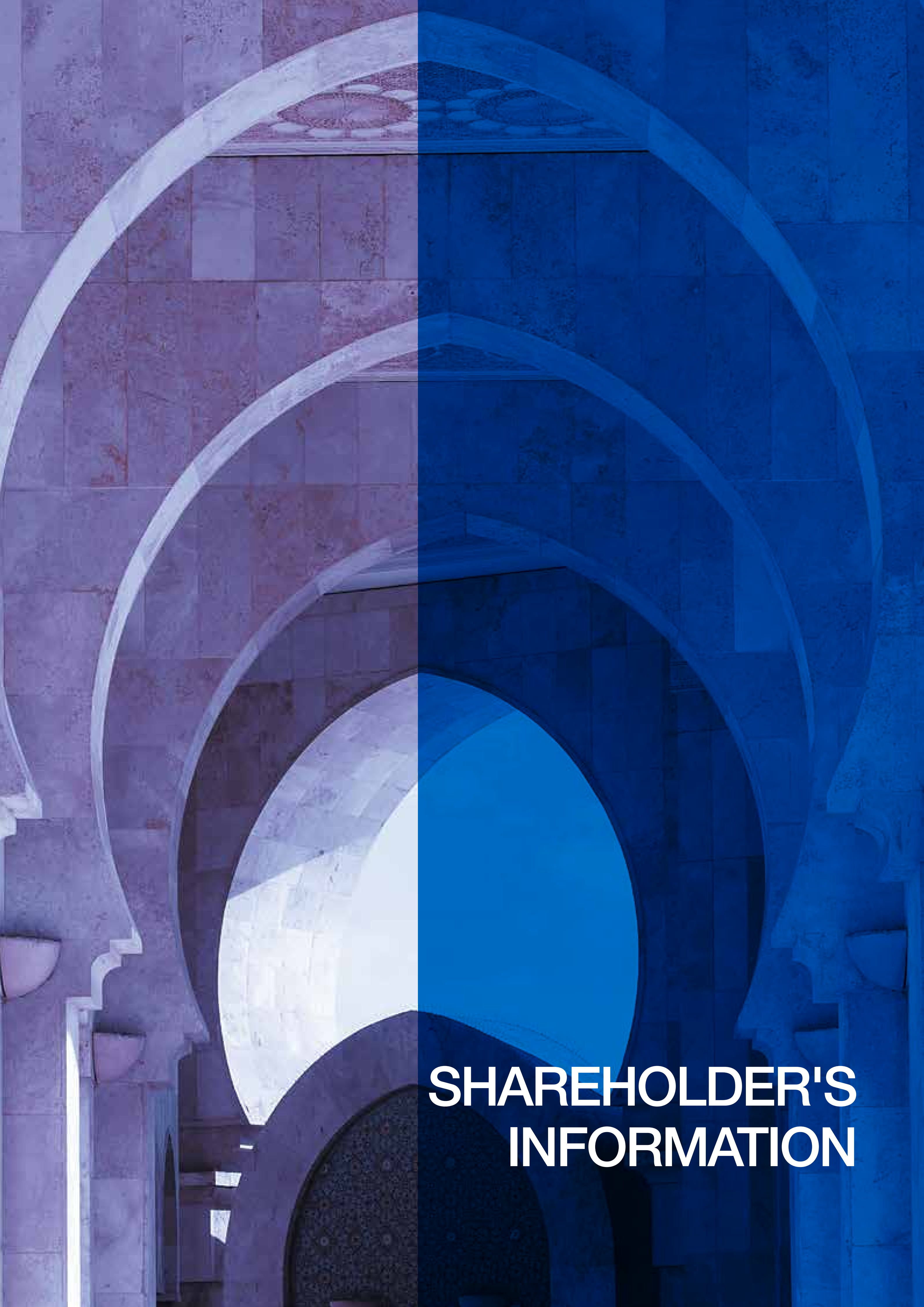
The review will be based on market best practice and will support performance outcomes and long-term value creation. Sanlam's approach to remuneration remains focused on long-term value creation for all stakeholders.

Sanlam's human capital risks and the actions to address these are reported on page 133. The most significant of these being specialised and experienced employees experiencing excessive work pressure due to a range of factors, including scarcity of these specialist resources, expansion demands, increased regulatory pressure, new roles etc. The impact of specialist skilled employees emigrating from South Africa also negatively affected Sanlam in 2019. Working towards an inclusive demographic employee profile at management level, from a race and gender perspective, remains a key priority and a risk if not addressed adequately.

We are addressing these risks through an integrated approach, which includes a Group-wide approach to talent to attract, develop, motivate and retain top talent. This is supported by fit for purpose learning and development plans, a consistent and standardised performance and goals approach and fit-for-purpose remuneration philosophies in the businesses and from a Group level. An enabler for this is SuccessFactors, which is a cloud-based, human capital management solution.

We will present our remuneration policy and implementation report (as set out in our full Remuneration Report available online) at the upcoming AGM to be held on 10 June 2020. We trust it will be met with your voting support.

Our commitment to ongoing consultation on an individual shareholder level is confirmed and the GHRRC welcomes any feedback or input from shareholders and other stakeholders throughout the year.



SHAREHOLDER'S INFORMATION

INDEPENDENT AUDITOR'S REPORT ON THE SANLAM LIMITED SHAREHOLDERS' INFORMATION

To the directors of Sanlam Limited

Opinion

We have audited the Sanlam Limited shareholders' information (shareholders' information) of Sanlam Limited set out on pages 162 to 230 for the year ended 31 December 2019, comprising Group Equity Value, Change in Group Equity Value, Return on Group Equity Value, Analysis of GEV earnings, Analysis of shareholders' fund at net asset value, shareholders' fund income statement, Net operating profit, Notes to the shareholders' fund information and a summary of significant accounting policies and other explanatory information. In our opinion, the accompanying shareholders' information of Sanlam Limited for the year ended 31 December 2019 is prepared, in all material respects, in accordance with the basis of accounting described on pages 162 to 169 of the shareholders' information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the shareholders' information section of our report. We are independent of Sanlam Limited in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing the audit of Sanlam Limited. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of Sanlam Limited and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to pages 162 to 169 of the shareholders' information which describes the basis of accounting. The shareholders' information is prepared to provide additional information in respect of the Group Shareholders' Fund in a format that corresponds with that used by management in evaluating the performance of the Group and allocation of resources. As a result, the shareholders' information may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of the shareholders' information in accordance with the basis of accounting described on pages 162 to 169, for determining that the basis of accounting is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of the shareholders' Iinformation that is free from material misstatement, whether due to fraud or error.

In preparing the shareholders' information, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Shareholders' Information

Our objectives are to obtain reasonable assurance about whether the shareholders' information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the shareholders' information.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the shareholders' information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the shareholders' information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matter

Sanlam Limited has prepared a separate set of consolidated and separate annual financial statements for the year ended 31 December 2019, in accordance with International Financial Reporting Standards, on which we issued a separate auditor's report to the shareholders of Sanlam Limited, dated 11 March 2020.

Ernst & Young Inc.

Ernst & Young Inc.

Director: Christo du Toit
Registered Auditor
Chartered Accountant (SA)

3rd floor, Waterway House
3 Dock Road
V&A Waterfront
Cape Town

11 March 2020

BASIS OF ACCOUNTING – SHAREHOLDERS' INFORMATION

The purpose of this section is to provide additional information to users in respect of the Group shareholders' fund in a format that corresponds to that used by management in evaluating the performance of the Group and allocation of resources and should be read in conjunction with the financial statements prepared in terms of IFRS.

It includes an analysis of the Group shareholders' fund's consolidated financial position and results in a similar format to that used by the Group for internal management purposes. The Group financial statements are prepared in accordance with IFRS and include the consolidated results and financial position of both the shareholder and policyholder activities. The IFRS Annual Financial Statements also do not distinguish between the shareholders' operational and investment activities, which are separate areas of management focus and an important distinction in evaluating the Sanlam Group's financial performance. Information is presented in this section to provide this additional shareholders' fund information to users of Sanlam's financial information.

The Group also discloses Group Equity Value (GEV) information. The Group's key strategic objective is to maximise returns to shareholders. GEV has been identified by management as the primary measure of value, and Return on GEV (RoGEV) is used by the Group as the main performance measure to evaluate the success of its strategies towards sustainable value creation in excess of its cost of capital. In the directors' view, GEV more accurately reflects the performance of the Group than results presented under IFRS and provides a more meaningful basis of reporting the underlying value of the Group's operations and the related performance drivers. This basis allows more explicitly for the impact of uncertainty in future investment returns and is consistent with the Group's operational management structure.

The shareholders' information also includes the embedded value of covered business (EV), change in EV and value of new business.

A glossary containing explanations of technical terms used in these financial statements is presented on page 239.

Basis of accounting – shareholders' information

The basis of accounting and accounting policies in respect of the financial information of the shareholders' fund are the same as those set out in the online IFRS Annual Financial Statements, apart from the specific items described under separate headings in this section.

Management considers this basis of accounting applied for the shareholders' information to be suitable for the intended users of this financial information.

The application of the basis of accounting of the shareholders' information is also consistent with that applied in the 2018 Integrated Report apart from the following:

- First-time adoption of the new leases standard (IFRS 16 – Leases). The standard requires lessees to capitalise all significant lease arrangements at recognition of the lease as a right-of-use asset with a corresponding finance lease liability. The Group applied the standard using the modified retrospective approach with effect from 1 January 2019. Right-of-use assets and corresponding finance lease liabilities of R2 billion were recognised on this date. The adoption of IFRS 16 did not have a significant impact on the Group's earnings for the 2019 financial year.
- The introduction of net operational earnings as an earnings metric in the shareholders' fund income statement. Net operational earnings are the aggregate of net result from financial services, net investment income, net investment surpluses and net project expenses. It incorporates the two key areas of strategic focus from an earnings perspective, namely operating profit and investment return earned on the Group's capital base (including discretionary capital), in driving our objective to optimise RoGEV. Normalised headline earnings are discontinued as an earnings measure with effect from the 2019 financial year as it does not represent a key performance indicator from a strategic perspective.
- Expected credit loss impairments in the shareholders' fund capital portfolio are included in investment surpluses in the shareholders fund income statement and included in impairments in the statement of comprehensive income in accordance with IFRS 9. Refer to note 21.2 in the Annual Financial Statements.

The shareholders' fund information includes the following:

- GEV (refer to page 170)
- Change in GEV (refer to page 174)
- Return on GEV (refer to page 176)
- Analysis of GEV earnings (refer to page 178)
- Shareholders' fund financial statements consisting of the shareholders' fund at net asset value (refer to page 182), shareholders' fund income statement (refer to page 184) and related notes, including EV-related disclosures

GEV

GEV is the aggregate of the following components:

- The EV, which comprises the required capital supporting these operations (also referred to as adjusted net worth) and their net value of in-force business
- The fair value of other Group operations based on longer-term assumptions, which include the investment management, capital markets, general insurance and the non-covered wealth management operations of the Group
- The fair value of discretionary and other capital. Discretionary capital represents management's assessment of capital in excess of that required for current operations of the Group. Such capital may be used to fund future operations and acquisitions or be returned to shareholders

GEV is calculated by adjusting the shareholders' fund at fair value with the following:

- Adjustments to net worth; and
- Goodwill and the value of business acquired intangible assets relating to covered business are replaced by the value of the in-force book of covered business.

Although being a measure of value, GEV is not equivalent to the economic value of the Group as the EV does not allow for the value of future new business. An economic value may be derived by adding to the GEV an estimate of the value of the future sales of new covered business, often calculated as a multiple of the value of new covered business written during the past year.

GEV is inherently based on estimates and assumptions, as set out in this basis of preparation, and as disclosed under critical accounting estimates and judgements in the Annual Financial Statements. It is reasonably possible that outcomes in future financial years will be different to the current assumptions and estimates, possibly significantly, impacting the reported GEV. Accordingly, sensitivity analyses are provided for changes from the base estimates and assumptions within the shareholders' information.

Fair value of businesses included in GEV

Fair values for listed businesses are determined by using stock exchange prices or directors' valuations and for unlisted businesses by using directors' valuations. Where directors' valuations are used for listed businesses, the listed values of these businesses are disclosed for information purposes.

The valuation of businesses is based on generally accepted and applied investment valuation techniques, but is subject to judgement to allow for perceived risks. Estimates and assumptions are an integral part of business valuations and, as such, have an impact on the amounts reported. Management applies judgement in determining the appropriate valuation technique to be used. In addition, in applying the valuation techniques judgement is utilised in setting assumptions of future events and experience and, where applicable, risk-adjusted discount rates.

Estimates and judgements are regularly updated to reflect latest experience. Actual outcomes in future financial years may differ from current estimates and assumptions, possibly significantly, which could require a material adjustment to the business valuations.

The appropriateness of the valuations is regularly tested through the Group's approval framework, in terms of which the valuations of investments are reviewed and recommended for approval by the Audit, Actuarial and Finance committee and Board by the Sanlam non-listed asset controlling body.

Businesses may comprise legal entities or components of legal entities as determined by the directors.

Adjustments to net worth

Present value of corporate expenses

GEV is determined by deducting the present value of corporate expenses, by applying a multiple to the after-tax corporate expenses. This adjustment is made as the EV and the fair value of other Group operations do not allow for an allocation of corporate expenses.

Share incentive schemes granted on subsidiaries' own shares

Where Group subsidiaries grant share incentives to employees on the entities' own shares, the fair value of the outstanding incentives at year-end is deducted in determining GEV. The expected cost of future grants in respect of these incentive schemes is allowed for in the calculation of the value of in-force covered business and the fair value of other Group operations as appropriate.

Share incentive schemes granted on Sanlam shares

Long-term incentives granted by the Group on Sanlam shares are accounted for as dilutive instruments. The GEV is accordingly not adjusted for the fair value of these outstanding shares, but the number of issued shares used to calculate GEV per share is adjusted for the dilutionary effect of the outstanding instruments at year-end. The expected cost of future grants in respect of these incentive schemes is allowed for in the calculation of the value of in-force covered business and the fair value of other Group operations.

Change in GEV

The change in GEV consists of the embedded value earnings from covered business, earnings from other Group operations on a fair value basis, earnings on discretionary and other capital and capital transactions with shareholders.

RoGEV

The RoGEV is equal to the change in GEV during the reporting period, after adjustment for dividends paid and changes in issued share capital, as a percentage of GEV at the beginning of the period, weighted for changes in issued share capital during the year.

Shareholders' fund at net asset value, income statement and related information

The analysis of the shareholders' fund at net asset value and the related shareholders' fund income statement reflects the consolidated financial position and earnings of the shareholders' fund, based on accounting policies consistent with those contained in IFRS Annual Financial Statements online, apart from the following:

Basis of consolidation

The shareholders' funds of Group companies are consolidated in the analysis of the Sanlam Group shareholders' fund at net asset value. The policyholders' and outside shareholders' interests in these companies are treated as non-controlling shareholders' interest on consolidation.

The segmental analysis of the shareholders' fund at net asset value is consistent with the Group's operational management structure.

Consolidation reserve

In terms of IFRS, the policyholders' fund's investments in Sanlam shares and Group subsidiaries are not reflected as equity investments in the Sanlam Group IFRS statement of financial position, but deducted in full from equity on consolidation (in respect of Sanlam shares) or reflected at net asset value (in respect of subsidiaries). The valuation of the related policy liabilities, however, includes the fair value of these investments, creating an artificial mismatch between policy liabilities and policyholder investments, with a consequential impact on the Group's shareholders' fund and earnings. The consolidation reserve created in the Group financial statements for these mismatches is not recognised in the shareholders' fund at net asset value. The fund transfers between the shareholders' and policyholders' fund relating to movements in the consolidation reserve are commensurately also not recognised in the shareholders' fund's normalised earnings. Similar mismatches are created by the recognition of deferred tax assets in respect of assessed losses in policyholder funds. These deferred tax assets, and movements therein, are also recognised in the consolidation reserve and fund transfers, respectively. In addition, the consolidation of the broad-based black economic empowerment (B-BBEE) special purpose vehicle (SPV) to which 111 349 999 shares were issued, is treated similarly and is also recognised in the consolidation reserve and fund transfers, respectively.

This policy is applied, as these accounting mismatches do not represent economic profits and losses for the shareholders' fund.

Target shares

Strategic diversification activities between Sanlam Emerging Markets (SEM) and Santam consist of the investment in target shares issued by SEM to Santam and vice versa. These shares give the holder the right to participate in the growth of the underlying short-term insurance investments. For purposes of the Group's shareholders' fund income statement, the total return on these short-term insurance investments are therefore split between SEM and Santam, after consideration of the respective non-controlling interests.

Segregated funds

Sanlam also manages and administers assets in terms of third-party mandates, which are for the account of and at the risk of the clients. As these are not the assets of the Sanlam Group, they are not recognised in the Sanlam Group statement of financial position in terms of IFRS and are excluded from the shareholders' fund at net asset value and fair value. Fund flows relating to segregated funds are, however, included in the notes to the shareholders' fund information to reflect all fund flows relating to the Group's assets under management.

Equity-accounted earnings

Equity-accounted earnings are presented in the shareholders' fund income statement based on the allocation of the Group's investments in associates and joint ventures between operating and non-operating entities:

- Operating associates and joint ventures include investments in strategic operational businesses, namely Sanlam Personal Loans, Shriram Capital (including the Group's direct interest in Shriram Transport Finance Company), Shriram General Insurance and Shriram Life Insurance direct investments, Pacific & Orient, Capricorn Investment Holdings, Letshego, Nico Holdings and the Group's life insurance associates in Africa. The equity-accounted operating earnings and investment return on capital from operating associates and joint ventures are included in the net result from financial services and net investment return respectively.
- Non-operating associates and joint ventures include investments held as part of the Group's balanced investment portfolio. The Santam group's equity-accounted investments are the main non-operating associates and joint ventures. The Group's shares of earnings from these entities are reflected as equity-accounted earnings.

Normalised earnings per share

As discussed under the policy note for consolidation reserve above, the IFRS prescribed accounting treatment of the B-BBEE SPV, policyholders' fund's investments in Sanlam shares and Group subsidiaries creates artificial accounting mismatches with a consequential impact on the Group's IFRS earnings. In addition, the number of shares in issue used for the calculation of IFRS basic and diluted earnings per share must also be reduced with the treasury shares held by the policyholders' fund and B-BBEE SPV. This is in the Group's opinion not a true representation of the earnings attributable to the Group's shareholders, specifically in instances where the share prices and/or the number of shares held by the policyholders' fund change significantly during the reporting period. The Group therefore calculates normalised diluted earnings per share to eliminate fund transfers relating to the investments in Sanlam shares, consolidated vehicles (B-BBEE SPV) and Group subsidiaries held by the policyholders' fund.

Fund flows

The notes to the shareholders' fund information also provide information in respect of fund flows relating to the Group's assets under management. These fund flows have been prepared in terms of the following bases:

Funds received from clients

Funds received from clients include single and recurring life and general insurance premium income from insurance and investment policy contracts, which are recognised in the financial statements. It also includes contributions to collective investment schemes and non-life insurance-linked products, as well as inflows of segregated funds, which are not otherwise recognised in the financial statements as they are funds held on behalf of and at the risk of clients. Funds received in respect of non-annuity assets under administration are excluded from funds received from clients. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated. Funds received from clients include the Group's effective share of funds received from clients by strategic operational associates and joint ventures.

New business

In the case of long-term insurance business, the annualised value of all new policies (insurance and investment contracts) that have been issued during the financial year and have not subsequently been refunded, is regarded as new business.

All segregated fund inflows (excluding those related to assets under administration), inflows to collective investment schemes and short-term insurance premiums are regarded as new business.

New business includes the Group's share of new business written by strategic operational associates and joint ventures.

Payments to clients

Payments to clients include policy benefits paid in respect of life and general insurance and investment policy contracts, which are recognised in the financial statements. It also includes withdrawals from collective investment schemes and non-life insurance-linked products as well as outflows of segregated funds, which are not otherwise recognised in the financial statements as they relate to funds held on behalf of and at the risk of clients' withdrawals of non-annuity funds under administration are excluded. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated.

Payments to clients include the Group's effective share of payments to clients by strategic operational associates and joint ventures.

Basis of accounting and presentation – EV

The Group's EV information is prepared in accordance with Advisory Practice Note (APN) 107 (version 8), the guidance note on embedded value financial disclosures of South African long-term insurers issued by the Actuarial Society of South Africa (Actuarial Society). Covered business represents the Group's long-term insurance business for which the value of new and in-force contracts is attributable to shareholders.

The embedded value results of the Group's covered business are included in the shareholders' information, as it forms an integral part of GEV and the information used by management in evaluating the performance of the Group. The EV does not include the contribution to GEV relating to other Group operations or discretionary and other capital, which are included separately in the analysis of GEV.

The basis of presentation for the EV is consistent with that applied in the 2018 financial statements.

Covered business

Covered business includes all material long-term insurance business that is recognised in the Sanlam Group financial statements. This business includes individual stable bonus, linked and market-related business, reversionary bonus business, Group stable bonus business, annuity business and other non-participating business written by Sanlam Personal Finance, SEM, Sanlam UK and Sanlam Employee Benefits.

Acquisitions, disposals and other movements

The EV results are prepared taking cognisance of changes in the Group's effective shareholding in covered business operations.

Methodology

EV

The EV is the present value of earnings from covered business attributable to shareholders, excluding any value that may be attributed to future new business. It is calculated on an after-tax basis taking into account current legislation and known future changes.

The EV comprises the following components:

- adjusted net worth (ANW); and
- the net value of in-force business.

ANW

ANW comprises the required capital supporting the covered business and is equal to the net value of assets allocated to covered business that does not back policy liabilities.

The required capital allocated to covered business reflects the level of capital considered sufficient to support the covered business, allowing for an assessment of the market, credit, insurance and operational risks inherent in the underlying products, subject to a minimum level of the local statutory solvency requirement for each business.

For insurance businesses regulated under the new regulatory framework as defined in the South African Insurance Act, 18 of 2017 (or similar regimes) the level of required capital for covered business is set to ensure that own funds attributable to in-force covered business maintains a SAM solvency capital requirement ratio within a specific range, e.g. between 170% and 210% for Sanlam Life, over the next 10 years. In addition, these businesses may also need to maintain statutory cover ratios above a lower minimum level, e.g. 135% for Sanlam Life covered business, 115% for Santam, even after severe but plausible stress scenarios.

The capital allocated to covered business is funded from a balanced investment portfolio, comprising investments in equities, hedged equities, fixed-interest securities, cash and subordinated debt funding. The subordinated debt funding liability is matched by ring-fenced bonds and other liquid assets held as part of the balanced investment portfolio.

Transfers are made to or from adjusted net worth on an annual basis for the following:

- Transfers of net operating profit: These transfers relate to dividends paid from covered business in terms of the Group's internal dividend policy to fund the dividend payable to Sanlam Limited shareholders
- Transfers to or from the balanced investment portfolio: Any capital in the portfolio that is in excess of the requirements of the covered business is transferred to discretionary capital in terms of the Group's capital management framework

Net value of in-force business

The net value of in-force business consists of the present value of future shareholder profits from in-force covered business (PVIF), after allowance for the cost of required capital supporting the covered business.

Present value of future shareholder PVIF

The long-term policy liabilities in respect of covered business in the financial statements are valued based on the applicable statutory valuation method for insurance contracts and fair value for investment contracts. These liabilities include profit margins, which can be expected to emerge as profits in the future. The discounted value, using a risk-adjusted discount rate, placed on these expected future profits after taxation is the PVIF.

The PVIF excludes the cost of required capital, which is separately disclosed.

Cost of required capital

A charge is deducted from the EV for the cost of required capital supporting the Group's existing covered business. The cost is the difference between the carrying value of the required capital at the valuation date and the discounted value, using a risk-adjusted discount rate, of the projected releases of the capital allowing for the assumed after-tax investment return on the assets deemed to back the required capital over the life of the in-force business.

Value of new business

The value of new business is calculated as the discounted value, at point of sale, using a risk-adjusted discount rate, of the projected stream of after-tax profits for new covered business issued during the financial year under review. The value of new business is also reduced by the cost of required capital for new covered business.

In determining the value of new business:

- A policy is only taken into account if at least one premium, that is not subsequently refunded, is recognised in the financial statements.
- Premium increases that have been allowed for in the value of in-force covered business are not counted again as new business at inception.
- Increases in recurring premiums associated with indexation arrangements are not included, but instead allowed for in the value of in-force covered business.
- The expected value of future premium increases, resulting from premium indexation on the new recurring premium business written during the financial year under review, is included in the value of new business.
- Continuations of individual policies and deferrals of retirement annuity policies after the maturity dates in the contract are treated as new business if they have been included in policy benefit payments at their respective maturity dates.
- For employee benefits, increases in business from new schemes or new benefits on existing schemes are included and new members or salary-related increases under existing schemes are excluded and form part of the in-force value.
- Renewable recurring premiums under Group insurance contracts are treated as in-force business.
- Assumptions are consistent with those used for the calculation of the value of in-force covered business at the end of the reporting period.

Profitability of new covered business is measured by the ratio of the net value of new business to the present value of new business premiums (PVNBP). The PVNBP is defined as new single premiums plus the discounted value, using a risk-adjusted discount rate, of expected future premiums on new recurring premium business. The premiums used for the calculation of PVNBP are based on the life insurance new business premiums disclosed in note 6 on page 198, excluding white label new business.

Risk discount rates and allowance for risk

In accordance with the actuarial guidance, the underlying risks within the covered business are allowed for within the embedded value calculations through a combination of the following:

- Explicit allowances within the projected shareholder cash flows
- The level of required capital and the impact on cost of required capital
- The risk discount rates, intended to cover all residual risks not allowed for elsewhere in the valuation

The risk margins are set using a top-down approach based on Sanlam Limited's weighted average cost of capital (WACC), which is calculated based on a gross risk-free interest rate, an assumed equity risk premium, a market assessed risk factor (beta), and an allowance for subordinated debt on a market value basis. The beta provides an assessment of the market's view of the effect of all types of risk on the Group's operations, including operational and other non-economic risk.

To derive the risk discount rate assumptions for covered business, an adjusted WACC is calculated to exclude the non-covered Group operations included in Sanlam Limited's WACC and to allow for future new covered business. The covered business operations of the Group use risk margins of between 2,5% and 7,0% and the local gross risk-free rate at the valuation date.

BASIS OF ACCOUNTING – SHAREHOLDERS' INFORMATION (continued)

Minimum investment guarantees to policyholders
An investment guarantee reserve is included in the reserving basis for policy liabilities, which makes explicit allowance for the best estimate cost of all material investment guarantees. This reserve is determined on a market consistent basis in accordance with actuarial guidance from the Actuarial Society (APN110). No further deduction from the EV is therefore required.

Share incentive schemes
The EV assumes the payment of long-term incentives in the future and allows for the expected cost of future grants within the value of in-force covered business and value of new business.

Sensitivity analysis
Sensitivities are determined at the risk discount rates used to determine the base values, unless stated otherwise. For each of the sensitivities, all other assumptions are left unchanged. The different sensitivities do not imply that they have a similar chance of occurring.

The risk discount rate appropriate to an investor will depend on the investor's own requirements, tax position and perception of the risk associated with the realisation of the future profits from the covered business. The disclosed sensitivities to changes in the risk discount rate provide an indication of the impact of changes in the applied risk discount rate.

Risk premiums relating to mortality and morbidity are assumed to be increased consistent with mortality and morbidity experience respectively, where appropriate.

Foreign currencies
Changes in the EV, as well as the present value of new business premiums of foreign operations, are converted to South African rand at the weighted average exchange rates for the financial year, except where the average exchange rate is not representative of the timing of specific changes in the EV, in which instances the exchange rate on the transaction date is used. The closing rate is used for the conversion of the EV at the end of the financial year.

Assumptions
Best estimate assumptions
The embedded value calculation is based on best estimate assumptions. The assumptions are reviewed actively and changed when evidence exists that material changes in the expected future experience are reasonably certain. The best estimate assumptions are also used as basis for the statutory valuation method, to which compulsory and discretionary margins are added for the determination of policy liabilities in the financial statements.

It is reasonably possible that outcomes in future financial years will be different to these current best estimate assumptions, possibly significantly, impacting on the reported EV. Accordingly, sensitivity analyses are provided for the value of in-force and value of new business.

Economic assumptions
The assumed investment return on assets supporting the policy liabilities and required capital is based on the assumed long-term asset mix for these funds.

Inflation assumptions for unit cost, policy premium indexation and employee benefits salary inflation are based on an assumed long-term gap relative to fixed-interest securities.

Future rates of bonuses for traditional participating business, stable bonus business and participating annuities are set at levels that are supportable by the assets backing the respective product asset funds at each valuation date.

Assets backing required capital
The assumed composition of the assets backing the required capital is consistent with Sanlam's practice and with the assumed long-term asset distribution used to calculate the statutory capital requirements and internal required capital assessments of the Group's covered business.

Demographic assumptions
Future mortality, morbidity and discontinuance rates are based on recent experience where appropriate.

HIV/Aids
Allowance is made, where appropriate, for the impact of expected HIV/Aids-related claims, using models developed by the Actuarial Society, adjusted for Sanlam's practice and product design. Premiums on individual businesses are assumed to be rerated, where applicable, in line with deterioration in mortality, with a three-year delay from the point where mortality losses would be experienced.

Expense assumptions
Future expense assumptions reflect the expected level of expenses required to manage the in-force covered business, including investment in systems required to support that business, and allow for future inflation. The rate of inflation is higher for businesses written on legacy systems. The allocation between acquisition and maintenance expenses is based on functional cost analyses and reflects actual expenses incurred in 2019.

Project expenses
A best estimate of future project expenses is allowed for in the EV, in addition to the expense assumptions outlined above, in both the value of policy liabilities and the PVIF as applicable. These projects relate to regulatory compliance, administration platforms of the life insurance business and are deemed to be business imperatives by management. No allowance is made for the expected positive impact these projects may have on the future operating experience of the Group.

Investment management fees
Future investment expenses are based on the current scale of fees payable by the Group's life insurance businesses to the relevant asset managers. To the extent that this scale of fees includes profit margins for Sanlam Investment Group, these margins are not included in the value of in-force covered business and value of new business, as they are incorporated in the valuation of the Sanlam Investment Group businesses at fair value.

Taxation
Projected taxation is based on the current tax basis that applies in each country.

Allowance has been made for the impact of capital gains tax on investments in South Africa, assuming a five-year roll-over period.

Earnings from covered business
The embedded value earnings from covered business for the period are equal to the change in embedded value, after adjustment for any transfers to or from discretionary capital, and are analysed into the following main components:

- ***Value of new business***
  The value of new business is calculated at point of sale using assumptions applicable at the end of the reporting period.
- ***Net earnings from existing covered business***
  Expected return on value of covered business
  The expected return on value of covered business comprises the expected return on the starting value of in-force covered business and the accumulation of value of new business from point of sale to the valuation date.

  Operating experience variances
  The calculation of embedded values is based on assumptions regarding future experiences including discontinuance rates (how long policies will stay in force), risk (mortality and morbidity) and future expenses. Actual experience may differ from these assumptions. The impact of the difference between actual and assumed experience for the period is reported as operating experience variances.

  Operating assumption changes
  Operating assumption changes consist of the impact of changes in assumptions at the end of the reporting period (compared to those used at the end of the previous reporting period) for operating experience, excluding economic or taxation assumptions. It also includes certain model refinements.
- ***Expected investment return on adjusted net worth***
  The expected investment return on adjusted net worth attributable to shareholders is calculated using the future investment return assumed at the start of the reporting period.

  The total embedded value of earnings from covered business includes two further main items:
- ***Economic assumption changes***
  The impact of changes in external economic conditions, including the effect that changes in interest rates have on risk discount rates and future investment return assumptions, on the EV.
- ***Investment variances***
  Investment variances – value of in-force
  The impact on the value of in-force business as caused by differences between the actual investment return earned on policyholder fund assets during the reporting period and the expected return based on the economic assumptions used at the start of the reporting period.

  Investment variances – investment return on adjusted net worth
  Investment return variances as caused by differences between the actual investment return earned on shareholders' fund assets during the reporting period and the expected return based on economic assumptions used at the start of the reporting period.

GROUP EQUITY VALUE

at 31 December 2019

R million	Note	Group Equity Value 2019	Group Equity Value 2018	Value of in-force/Fair value adjustment 2019	Value of in-force/Fair value adjustment 2018
Sanlam Personal Finance		**47 141**	43 185	**40 757**	36 644
Covered business[(1)]	7.1	**42 970**	39 209	**37 801**	33 858
Sanlam Sky		**10 025**	8 755	**9 234**	8 057
Other		**32 945**	30 454	**28 567**	25 801
Other operations		**4 171**	3 976	**2 956**	2 786
Glacier		**2 501**	2 359	**1 984**	1 898
Sanlam Personal Loans		**1 320**	1 224	**692**	635
Other operations		**350**	393	**280**	253
Sanlam Emerging Markets		**40 731**	44 659	**7 395**	8 146
Covered business	7.2	**8 794**	9 151	**4 254**	4 894
Saham		**2 306**	2 968	**539**	1 633
Namibia		**1 997**	1 867	**1 487**	1 359
Botswana		**1 575**	1 587	**1 263**	1 124
Other African operations		**1 293**	1 274	**302**	241
Other International operations		**1 623**	1 455	**663**	537
Other operations		**31 937**	35 508	**3 141**	3 252
Saham		**19 400**	20 309	**1 918**	954
Shriram Capital		**9 282**	10 632	**1 222**	2 447
Other operations		**3 255**	4 567	**1**	(149)
Sanlam Investment Group		**20 050**	18 703	**10 579**	10 227
Covered business	7.3	**3 056**	2 797	**(153)**	(6)
Sanlam UK		**1 374**	1 268	**669**	617
Central Credit Manager[(1)]		**1 682**	1 529	**(822)**	(623)
Other operations		**16 994**	15 906	**10 732**	10 233
Investment Management SA[(2)]		**5 058**	4 821	**4 710**	4 569
Wealth Management[(2)]		**2 275**	2 647	**2 024**	2 377
International[(2)]		**7 997**	6 938	**2 526**	2 090
Sanlam Specialised Finance		**1 664**	1 500	**1 472**	1 197
Santam		**19 675**	20 102	**13 196**	14 284
Sanlam Corporate		**5 920**	6 009	**2 975**	2 789
Covered business[(1)]	7.5	**5 336**	5 077	**3 277**	2 710
Other operations		**584**	932	**(302)**	79
Afrocentric		**571**	892	**(313)**	73
Other		**13**	40	**11**	6
Dividend pool		**6 911**	6 464	**–**	–
Discretionary capital		**220**	(3 678)	**–**	205
Other capital		**4 593**	691	**–**	–
Present value of holding company expenses	15	**(1 970)**	(2 083)	**(1 970)**	(2 083)
Group Equity Value		**143 271**	134 052	**72 932**	70 212
Covered business	2	**60 156**	56 234	**45 179**	41 456
Other operations	5	**73 361**	76 424	**29 723**	30 634
Group operations		**133 517**	132 658	**74 902**	72 090
Discretionary and other capital		**9 754**	1 394	**(1 970)**	(1 878)
Group Equity Value		**143 271**	134 052	**72 932**	70 212
Value per share	14	**64,36**	63,41		

(1) *Excludes subordinated debt funding of Sanlam Life. At 1 January 2019, credit risk capital of R354 million (and related cost of capital of R123 million) in respect of inflation-linked annuity investments was transferred from Sanlam Employee Benefits to the Central Credit Manager.*

(2) *Comparative information has been adjusted for the reallocation of businesses from Investment Management SA and Wealth Management to International.*

	Adjusted net asset value		Elimination of goodwill and VOBA		Shareholders' fund at net asset value	
	2019	***2018***	**2019**	**2018**	**2019**	**2018**
	6 384	*6 541*	(1 097)	(1 145)	7 481	7 686
	5 169	*5 351*	(1 097)	(1 145)	6 266	6 496
	791	*698*	(403)	(437)	1 194	1 135
	4 378	*4 653*	(694)	(708)	5 072	5 361
	1 215	*1 190*	–	–	1 215	1 190
	517	*461*	–	–	517	461
	628	*589*	–	–	628	589
	70	*140*	–	–	70	140
	33 336	*36 513*	(3 316)	(3 610)	36 652	40 123
	4 540	*4 257*	(3 316)	(3 610)	7 856	7 867
	1 767	*1 335*	(2 677)	(2 881)	4 444	4 216
	510	*508*	–	–	510	508
	312	*463*	(3)	(25)	315	488
	991	*1 033*	(11)	(12)	1 002	1 045
	960	*918*	(625)	(692)	1 585	1 610
	28 796	*32 256*	–	–	28 796	32 256
	17 482	*19 355*	–	–	17 482	19 355
	8 060	*8 185*	–	–	8 060	8 185
	3 254	*4 716*	–	–	3 254	4 716
	9 471	*8 476*	(356)	(356)	9 827	8 832
	3 209	*2 803*	(356)	(356)	3 565	3 159
	705	*651*	(356)	(356)	1 061	1 007
	2 504	*2 152*	–	–	2 504	2 152
	6 262	*5 673*	–	–	6 262	5 673
	348	*252*	–	–	348	252
	251	*270*	–	–	251	270
	5 471	*4 848*	–	–	5 471	4 848
	192	*303*	–	–	192	303
	6 479	*5 818*	–	–	6 479	5 818
	2 945	*3 220*	(207)	(227)	3 152	3 447
	2 059	*2 367*	(207)	(227)	2 266	2 594
	886	*853*	–	–	886	853
	884	*819*	–	–	884	819
	2	*34*	–	–	2	34
	6 911	*6 464*	–	–	6 911	6 464
	220	*(3 883)*	–	–	220	(3 883)
	4 593	*691*	(1 197)	(1 197)	5 790	1 888
	–	*–*	–	–	–	–
	70 339	*63 840*	(6 173)	(6 535)	76 512	70 375
	14 977	*14 778*	(4 976)	(5 338)	19 953	20 116
	43 638	*45 790*	–	–	43 638	45 790
	58 615	*60 568*	(4 976)	(5 338)	63 591	65 906
	11 724	*3 272*	(1 197)	(1 197)	12 921	4 469
	70 339	*63 840*	(6 173)	(6 535)	76 512	70 375
					34,37	33,27

Analysis of Group Equity Value per line of business

at 31 December 2019

	Total		Life business	
R million	2019	2018	2019	2018
Southern Africa	**99 365**	88 377	**54 028**	49 843
South Africa	**91 654**	80 193	**49 988**	45 815
Other	**7 711**	8 184	**4 040**	4 028
North and West Africa	**21 536**	22 554	**2 017**	2 003
East Africa	**1 039**	1 012	**583**	507
Other international	**21 331**	22 109	**3 528**	3 881
Total	**143 271**	134 052	**60 156**	56 234

General insurance		Investment management		Credit and structuring		Administration, health and other	
2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
20 218	20 694	**8 544**	8 862	**4 302**	3 801	**12 273**	5 177
19 675	20 102	**7 874**	8 255	**2 354**	1 860	**11 763**	4 161
543	592	**670**	607	**1 948**	1 941	**510**	1 016
19 519	20 379	**–**	–	**–**	–	**–**	172
412	342	**207**	283	**–**	–	**(163)**	(120)
2 230	1 986	**8 086**	7 015	**7 382**	9 079	**105**	148
42 379	43 401	**16 837**	16 160	**11 684**	12 880	**12 215**	5 377

CHANGE IN GROUP EQUITY VALUE

for the year ended 31 December 2019

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period
Sanlam Personal Finance	43 185	8 640	(425)	(4 259)	47 141
Covered business	39 209	8 013	(425)	(3 827)	42 970
Sanlam Sky	8 755	2 258	56	(1 044)	10 025
Other	30 454	5 755	(481)	(2 783)	32 945
Other operations	3 976	627	–	(432)	4 171
Glacier	2 359	339	–	(197)	2 501
Sanlam Personal Loans	1 224	291	–	(195)	1 320
Other operations	393	(3)	–	(40)	350
Sanlam Emerging Markets	44 659	(3 186)	1 497	(2 239)	40 731
Covered business	9 151	(83)	435	(709)	8 794
Saham	2 968	(1 192)	603	(73)	2 306
Namibia	1 867	371	(67)	(174)	1 997
Botswana	1 587	372	(143)	(241)	1 575
Other African operations	1 274	147	39	(167)	1 293
Other International operations	1 455	219	3	(54)	1 623
Other operations	35 508	(3 103)	1 062	(1 530)	31 937
Saham	20 309	(1 571)	662	–	19 400
Shriram Capital	10 632	(841)	9	(518)	9 282
Other operations	4 567	(691)	391	(1 012)	3 255
Sanlam Investment Group	18 703	1 452	906	(1 011)	20 050
Covered business	2 797	359	148	(248)	3 056
Sanlam UK	1 268	139	42	(75)	1 374
Central Credit Manager	1 529	220	106	(173)	1 682
Other operations	15 906	1 093	758	(763)	16 994
Investment Management SA[(1)]	4 821	666	(51)	(378)	5 058
Wealth Management[(1)]	2 647	(283)	44	(133)	2 275
International[(1)]	6 938	535	655	(131)	7 997
Sanlam Specialised Finance	1 500	175	110	(121)	1 664
Santam	20 102	290	–	(717)	19 675
Sanlam Corporate	6 009	774	(286)	(577)	5 920
Covered business	5 077	1 062	(286)	(517)	5 336
Other operations	932	(288)	–	(60)	584
Afrocentric	892	(279)	–	(42)	571
Other	40	(9)	–	(18)	13
Discretionary capital	(3 678)	242	3 656	–	220
Other capital	7 155	166	11 067	(6 884)	11 504
Present value of holding company expenses	(2 083)	113	–	–	(1 970)
Elimination of inter-group dividends	–	–	(8 803)	8 803	–
Group Equity Value	**134 052**	**8 491**	**7 612**	**(6 884)**	**143 271**
Covered business	56 234	9 351	(128)	(5 301)	60 156
Other operations	76 424	(1 381)	1 820	(3 502)	73 361
Group operations	132 658	7 970	1 692	(8 803)	133 517
Discretionary and other capital	1 394	521	14 723	(6 884)	9 754
Elimination of inter-group dividends	–	–	(8 803)	8 803	–
Group Equity Value	**134 052**	**8 491**	**7 612**	**(6 884)**	**143 271**

(1) *Comparative information has been adjusted for the reallocation of businesses from Investment Management SA and Wealth Management to International.*

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period
Sanlam Personal Finance	43 401	4 832	(1 032)	(4 016)	43 185
Covered business	39 546	4 372	(1 032)	(3 677)	39 209
Sanlam Sky	7 956	1 612	89	(902)	8 755
Other	31 590	2 760	(1 121)	(2 775)	30 454
Other operations	3 855	460	–	(339)	3 976
Glacier	2 321	245	–	(207)	2 359
Sanlam Personal Loans	1 052	342	–	(170)	1 224
Other operations	482	(127)	–	38	393
Sanlam Emerging Markets	27 621	4 580	13 891	(1 433)	44 659
Covered business	6 686	417	2 714	(666)	9 151
Saham	1 265	(770)	2 570	(97)	2 968
Namibia	1 816	233	(40)	(142)	1 867
Botswana	1 333	418	67	(231)	1 587
Other African operations	1 050	292	80	(148)	1 274
Other International operations	1 222	244	37	(48)	1 455
Other operations	20 935	4 163	11 177	(767)	35 508
Saham	6 833	3 049	10 378	49	20 309
Shriram Capital	9 524	1 253	90	(235)	10 632
Other operations	4 578	(139)	709	(581)	4 567
Sanlam Investment Group	18 331	682	845	(1 155)	18 703
Covered business	2 768	305	31	(307)	2 797
Sanlam UK	1 213	90	64	(99)	1 268
Central Credit Manager	1 555	215	(33)	(208)	1 529
Other operations	15 563	377	814	(848)	15 906
Investment Management SA(1)	6 165	(941)	(234)	(169)	4 821
Wealth Management(1)	2 192	479	117	(141)	2 647
International(1)	6 410	619	289	(380)	6 938
Sanlam Specialised Finance	796	220	642	(158)	1 500
Santam	18 108	2 658	–	(664)	20 102
Sanlam Corporate	6 368	774	(595)	(538)	6 009
Covered business	5 283	839	(578)	(467)	5 077
Other operations	1 085	(65)	(17)	(71)	932
Afrocentric	1 001	(84)	–	(25)	892
Other	84	19	(17)	(46)	40
Discretionary capital	2 000	95	(5 773)	–	(3 678)
Other capital	7 550	(296)	5 981	(6 080)	7 155
Present value of holding company expenses	(1 616)	(467)	–	–	(2 083)
Elimination of inter-group dividends	–	–	(7 806)	7 806	–
Group Equity Value	121 763	12 858	5 511	(6 080)	134 052
Covered business	54 283	5 933	1 135	(5 117)	56 234
Other operations	59 546	7 593	11 974	(2 689)	76 424
Group operations	113 829	13 526	13 109	(7 806)	132 658
Discretionary and other capital	7 934	(668)	208	(6 080)	1 394
Elimination of inter-group dividends	–	–	(7 806)	7 806	–
Group Equity Value	121 763	12 858	5 511	(6 080)	134 052

RETURN ON GROUP EQUITY VALUE

for the year ended 31 December 2019

%	2019	2018
Sanlam Personal Finance	**20,0**	11,4
Covered business	**20,4**	11,3
Sanlam Sky	**25,8**	20,3
Other	**18,9**	9,0
Other operations	**15,8**	11,9
Glacier	**14,4**	10,6
Sanlam Personal Loans	**23,8**	32,5
Other operations	**(0,8)**	(26,3)
Sanlam Emerging Markets	**(7,1)**	14,8
Covered business	**(0,9)**	5,7
Saham	**(40,2)**	(39,5)
Namibia	**19,9**	12,8
Botswana	**23,4**	27,2
Other African operations	**11,5**	33,1
Other International operations	**15,1**	20,0
Other operations	**(8,7)**	17,7
Saham	**(7,7)**	32,3
Shriram Capital	**(7,9)**	13,2
Other operations	**(14,6)**	(7,4)
Sanlam Investment Group	**7,6**	3,7
Covered business	**11,8**	11,0
Sanlam UK	**10,9**	7,4
Central Credit Manager	**12,5**	13,8
Other operations	**6,8**	2,3
Investment Management SA[(1)]	**13,7**	(16,8)
Wealth Management[(1)]	**(10,6)**	21,0
International[(1)]	**7,5**	9,6
Sanlam Specialised Finance	**11,7**	(12,5)
Santam	**1,4**	14,7
Sanlam Corporate	**13,4**	12,8
Covered business	**21,9**	16,8
Other operations	**(30,9)**	(6,0)
AfroCentric	**(31,3)**	(8,4)
Other	**(22,5)**	22,6
Discretionary and other capital	**65,4**	(12,3)
Group Equity Value	**6,3**	10,6
Covered business	**16,6**	11,0
Other operations	**(1,8)**	12,2
Group operations	**6,0**	11,6
Discretionary and other capital	**12,4**	(12,3)
Group Equity Value	**6,3**	10,6
RoGEV per share	**6,4**	11,6
Sanlam Group hurdle rate	***13,5***	*13,0*

(1) *Comparative information has been adjusted for the reallocation of businesses from Investment Management SA and Wealth Management to International.*

Cumulative average RoGEV

for the year ended 31 December 2019

%	Cumulative average RoGEV up to 31 December 2019		
	3 years	4 years	5 years
Sanlam Personal Finance	16,2	17,8	16,7
Sanlam Emerging Markets	6,0	3,8	8,6
Sanlam Investment Group	8,4	5,7	9,2
Santam	11,1	16,0	10,7
Sanlam Corporate	15,6	14,1	14,3
Sanlam Group	10,5	10,9	11,1

ANALYSIS OF GEV EARNINGS

for the year ended 31 December 2019

Covered business[1]

R million	Total 2019	Total 2018	Value of in-force 2019	Value of in-force 2018
Operational earnings	**8 691**	9 374	**3 573**	3 699
Value of new life insurance business[2]	**2 280**	1 985	**5 302**	4 758
Unwinding of discount rate	**5 285**	4 937	**5 080**	4 760
Expected profit	**–**	–	**(7 099)**	(6 831)
Operating experience variances	**1 361**	2 114	**506**	374
Risk experience	**454**	535	**131**	138
Persistency	**(22)**	147	**328**	202
Maintenance expenses	**83**	43	**(6)**	(6)
Working capital management	**527**	507	**–**	–
Credit spread	**294**	437	**(1)**	–
Other	**25**	445	**54**	40
Operating assumption changes	**(235)**	338	**(216)**	638
Risk experience	**208**	177	**27**	201
Persistency	**(98)**	66	**260**	140
Maintenance expenses	**255**	20	**210**	108
Modelling changes and other	**(600)**	75	**(713)**	189
Net investment return	**330**	796	**–**	–
Expected return on adjusted net asset value	**1 025**	921	**–**	–
Investment variances on adjusted net asset value	**(695)**	(125)	**–**	–
Valuation and economic basis	**347**	(2 965)	**325**	(2 587)
Investment variances on in-force business	**337**	(2 603)	**282**	(2 265)
Economic assumption changes	**318**	(755)	**380**	(773)
Investment yields	**164**	(717)	**152**	(743)
Long-term asset mix assumptions and other	**154**	(38)	**228**	(30)
Foreign currency translation differences	**(308)**	393	**(337)**	451
Change in tax basis	**–**	(36)	**–**	(19)
Net project expenses	**–**	(13)	**–**	–
Goodwill and VOBA from business combinations	**(17)**	(1 223)	**(17)**	(1 212)
GEV earnings: covered business	**9 351**	5 933	**3 881**	(119)
Acquired value of in-force	**128**	3 124	**5**	2 243
Transfers from covered business	**(5 557)**	(7 106)	**–**	–
Embedded value of covered business at the beginning of the year	**56 234**	54 283	**44 744**	42 620
Embedded value of covered business at the end of the year	**60 156**	56 234	**48 630**	44 744

(1) *Refer to note 7 for an analysis per cluster.*
(2) *Refer to note 1 for further information.*

Covered business per cluster

R million	Total 2019	Total 2018	Value of in-force 2019	Value of in-force 2018
Sanlam Personal Finance	**42 970**	39 209	**39 050**	35 086
Sanlam Emerging Markets	**8 794**	9 151	**4 871**	5 501
Sanlam Investment Group	**3 056**	2 797	**816**	781
Sanlam Corporate	**5 336**	5 077	**3 893**	3 376
Sanlam Group	**60 156**	56 234	**48 630**	44 744

Cost of capital		Adjusted net asset value	
2019	**2018**	**2019**	**2018**
(138)	47	**5 256**	5 628
(220)	(206)	**(2 802)**	(2 567)
205	177	**–**	–
–	–	**7 099**	6 831
(94)	251	**949**	1 489
(1)	3	**324**	394
(70)	–	**(280)**	(55)
(4)	–	**93**	49
–	–	**527**	507
–	–	**295**	437
(19)	248	**(10)**	157
(29)	(175)	**10**	(125)
7	3	**174**	(27)
(30)	4	**(328)**	(78)
–	(1)	**45**	(87)
(6)	(181)	**119**	67
–	–	**330**	796
–	–	**1 025**	921
–	–	**(695)**	(125)
(23)	42	**45**	(420)
1	89	**54**	(427)
(53)	11	**(9)**	7
49	19	**(37)**	7
(102)	(8)	**28**	–
29	(58)	**–**	–
–	(1)	**–**	(16)
–	–	**–**	(13)
–	–	**–**	(11)
(161)	88	**5 631**	5 964
(2)	(1)	**125**	882
–	–	**(5 557)**	(7 106)
(3 288)	(3 375)	**14 778**	15 038
(3 451)	(3 288)	**14 977**	14 778

Cost of capital		Adjusted net asset value	
2019	**2018**	**2019**	**2018**
(1 249)	(1 228)	**5 169**	5 351
(617)	(607)	**4 540**	4 257
(969)	(787)	**3 209**	2 803
(616)	(666)	**2 059**	2 367
(3 451)	(3 288)	**14 977**	14 778

ANALYSIS OF GEV EARNINGS
for the year ended 31 December 2019 (continued)

Other operations

R million	Total 2019	Total 2018	Sanlam Personal Finance 2019	Sanlam Personal Finance 2018
Earnings from operations valued at listed share prices	**608**	2 814	**–**	–
Earnings from operations valued at net asset value	**(156)**	(76)	**–**	–
Earnings from operations valued based on discounted cash flows	**(1 833)**	4 855	**627**	460
Unwinding of discount rate	**7 852**	5 821	**728**	681
Operating experience variances	**(596)**	135	**124**	(3)
General insurance	**(583)**	(32)	**–**	–
Investment management	**(87)**	(13)	**–**	–
Credit and banking	**97**	163	**116**	(9)
Administration, health and other	**(23)**	17	**8**	6
Assumption changes	**(7 660)**	(2 588)	**(305)**	(15)
General insurance	**(459)**	413	**–**	–
Investment management	**(2 755)**	(913)	**–**	–
Credit and banking	**(3 217)**	(1 218)	**(83)**	188
Administration, health and other	**(1 229)**	(870)	**(222)**	(203)
Economic assumption changes	**2 612**	(1 725)	**80**	(203)
Foreign currency translation differences	**(4 041)**	3 212	**–**	–
GEV earnings: other operations	**(1 381)**	7 593	**627**	460

Discretionary and other capital

R million	Total 2019	Total 2018
Investment return	**456**	(172)
Corporate expenses	**13**	(576)
Net corporate expenses	**(100)**	(109)
Change in present value of holding company expenses	**113**	(467)
Share-based payment transactions	**52**	80
GEV earnings: discretionary and other capital	**521**	(668)

Sanlam Emerging Markets		Sanlam Investment Group		Santam		Sanlam Corporate	
2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
–	–	**318**	156	**290**	2 658	**–**	–
(122)	(111)	**(34)**	35	**–**	–	**–**	–
(2 981)	4 274	**809**	186	**–**	–	**(288)**	(65)
4 739	3 125	**2 229**	1 829	**–**	–	**156**	186
(545)	237	**(133)**	(67)	**–**	–	**(42)**	(32)
(583)	(32)	**–**	–	**–**	–	**–**	–
46	54	**(133)**	(67)	**–**	–	**–**	–
(19)	172	**–**	–	**–**	–	**–**	–
11	43	**–**	–	**–**	–	**(42)**	(32)
(4 395)	(1 540)	**(2 546)**	(852)	**–**	–	**(414)**	(181)
(459)	413	**–**	–	**–**	–	**–**	–
(209)	(61)	**(2 546)**	(852)	**–**	–	**–**	–
(3 134)	(1 406)	**–**	–	**–**	–	**–**	–
(593)	(486)	**–**	–	**–**	–	**(414)**	(181)
1 158	(109)	**1 362**	(1 375)	**–**	–	**12**	(38)
(3 938)	2 561	**(103)**	651	**–**	–	**–**	–
(3 103)	4 163	**1 093**	377	**290**	2 658	**(288)**	(65)

Reconciliation of Group Equity Value earnings

R million	2019	2018
IFRS earnings (excluding fund transfers)	**5 448**	13 186
Normalised attributable earnings	**9 110**	11 521
Earnings recognised directly in equity		
Foreign currency translation differences	**(3 890)**	1 726
Net cost of treasury shares delivered	**(338)**	(231)
Share-based payments	**391**	359
Change in ownership of subsidiaries	**(112)**	(103)
IFRS 9 transitional provisions	**–**	(429)
Other comprehensive income	**287**	343
Fair value adjustments	**2 605**	189
Change in fair value adjustments: non-life	**(1 115)**	220
Earnings from covered business: VIF	**3 720**	(31)
Adjustments to net worth	**438**	(517)
Present value of holding company expenses	**113**	(467)
Movement in book value of treasury shares: non-life subsidiaries	**(11)**	(56)
Change in goodwill/VOBA less VIF acquired	**336**	6
Group Equity Value earnings	**8 491**	12 858

ANALYSIS OF SHAREHOLDERS' FUND AT NET ASSET VALUE

at 31 December 2019

R million	Note	Sanlam Life[(1)] 2019	Sanlam Life[(1)] 2018	Sanlam Emerging Markets[(2)] 2019	Sanlam Emerging Markets[(2)] 2018[(5)]
Assets					
Equipment		**432**	382	**707**	690
Right-of-use assets		**433**	–	**212**	–
Owner-occupied properties		**477**	470	**1 061**	1 250
Goodwill		**769**	816	**13 598**	15 434
Value of business acquired		**858**	951	**5 947**	7 172
Other intangible assets		**27**	25	**637**	816
Deferred acquisition costs		**2 572**	2 631	**269**	142
Investments		**13 912**	12 135	**39 432**	39 492
Properties		**–**	–	**6 815**	7 122
Associated companies	8.1	**1 011**	904	**15 380**	14 960
Joint ventures	8.2	**874**	828	**–**	–
Equities and similar securities		**462**	376	**7 199**	2 926
Interest-bearing investments		**2 766**	2 217	**3 477**	4 252
Structured transactions		**177**	472	**14**	24
Investment funds		**7 676**	6 453	**4 996**	8 179
Cash, deposits and similar securities		**946**	885	**1 551**	2 029
Deferred tax		**192**	214	**735**	697
Assets of disposal groups classified as held for sale		**–**	–	**127**	138
General insurance technical assets		**–**	–	**2 641**	2 428
Working capital assets		**8 456**	8 389	**17 347**	16 156
Trade and other receivables		**534**	1 568	**11 106**	10 065
Taxation		**6**	3	**842**	980
Cash, deposits and similar securities		**7 916**	6 818	**5 399**	5 111
Total assets		**28 128**	26 013	**82 713**	84 415
Equity and liabilities					
Shareholders' fund		**13 167**	9 580	**38 473**	40 612
Non-controlling interest		**150**	143	**11 538**	11 331
Total equity		**13 317**	9 723	**50 011**	51 943
Term finance		**1 013**	1 013	**545**	537
Lease liabilities		**478**	–	**223**	–
Structured transactions liabilities		**58**	24	**–**	–
Cell owners' interest		**–**	–	**–**	–
Deferred tax		**826**	895	**3 499**	3 893
General insurance technical provisions		**–**	–	**17 696**	16 929
Working capital liabilities		**12 436**	14 358	**10 739**	11 113
Trade and other payables		**12 298**	13 324	**9 720**	10 130
Provisions		**52**	46	**152**	130
Taxation		**86**	988	**867**	853
Total equity and liabilities		**28 128**	26 013	**82 713**	84 415
Analysis of shareholders' fund					
Covered business		**8 532**	9 090	**7 856**	7 867
Other operations		**2 101**	2 043	**28 796**	32 256
Discretionary and other capital		**2 534**	(1 553)	**1 821**	489
Shareholders' fund at net asset value		**13 167**	9 580	**38 473**	40 612
Consolidation reserve		**641**	1 010	**62**	–
Shareholders' fund per Group statement of financial position on page 66		**13 808**	10 590	**38 535**	40 612

(1) *Includes the operations of Sanlam Personal Finance and Sanlam Corporate (which includes Sanlam Health and Sanlam Employee Benefits) as well as discretionary capital held by Sanlam Life.*
(2) *Includes discretionary capital held by Sanlam Emerging Markets.*
(3) *Group office and other includes the assets of Genbel Securities and Sanlam Limited Corporate on a consolidated basis.*
(4) *Elimination of inter-company balances, other investments and term finance between companies within the Group.*
(5) *Comparatives have been adjusted for the reallocation of value of business acquired to goodwill, amounting to R407 million. Refer to note 4 of the Sanlam Annual Financial Statements online for additional information.*

Sanlam Investment Group		Santam		Group office[3]		Consolidation entries[4]		Shareholders fund at net asset value	
2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
103	110	**291**	298	**–**	–	**–**	–	**1 533**	1 480
346	–	**861**	–	**–**	–	**–**	–	**1 852**	–
120	117	**25**	25	**–**	–	**–**	–	**1 683**	1 862
2 466	2 091	**944**	854	**–**	–	**1 197**	1 197	**18 974**	20 392
1 963	987	**–**	–	**–**	–	**–**	–	**8 768**	9 110
188	204	**74**	37	**–**	–	**–**	–	**926**	1 082
24	43	**–**	–	**–**	–	**–**	–	**2 865**	2 816
5007	4 747	**24 145**	21 397	**5 707**	1 400	**(4 517)**	(4 524)	**83 686**	74 647
–	–	**–**	–	**–**	–	**–**	–	**6 815**	7 122
280	242	**4 508**	4 168	**–**	–	**(4 489)**	(3 953)	**16 690**	16 321
89	2	**49**	53	**–**	–	**–**	–	**1 012**	883
348	345	**2 089**	1 721	**367**	367	**4 310**	(547)	**14 775**	5 188
596	644	**11 919**	10 829	**5 340**	1 033	**(4 458)**	(144)	**19 640**	18 831
137	133	**400**	509	**–**	–	**–**	–	**728**	1 138
3 170	2 890	**4 480**	3 202	**–**	–	**120**	120	**20 442**	20 844
387	491	**700**	915	**–**	–	**–**	–	**3 584**	4 320
212	176	**107**	154	**–**	–	**(15)**	(2)	**1 231**	1 239
–	–	**–**	–	**–**	–	**–**	–	**127**	138
–	–	**7 525**	7 112	**–**	–	**–**	–	**10 166**	9 540
14 923	15 389	**14 654**	13 675	**3 897**	3 497	**(1 251)**	(1 609)	**58 026**	55 497
11 504	12 160	**6 632**	6 317	**3 643**	3 153	**(1 386)**	(1 809)	**32 033**	31 454
3	3	**16**	10	**–**	–	**–**	–	**867**	996
3 416	3 226	**8 006**	7 348	**254**	344	**135**	200	**25 126**	23 047
25 352	23 864	**48 626**	43 552	**9 604**	4 897	**(4 586)**	(4 938)	**189 837**	177 803
10 952	9 778	**6 479**	5 818	**4 260**	245	**3 181**	4 342	**76 512**	70 375
650	241	**4 405**	3 882	**–**	–	**(4 716)**	(3 998)	**12 027**	11 599
11 602	10 019	**10 884**	9 700	**4 260**	245	**(1 535)**	344	**88 539**	81 974
882	974	**2 080**	2 072	**2 954**	2 704	**–**	–	**7 474**	7 300
370	–	**978**	–	**–**	–	**–**	–	**2 049**	–
–	–	**–**	–	**–**	–	**–**	–	**58**	24
–	–	**3 935**	3 305	**–**	–	**–**	–	**3 935**	3 305
262	62	**39**	62	**–**	–	**–**	–	**4 626**	4 912
–	–	**23 636**	21 104	**–**	–	**–**	–	**41 332**	38 033
12 236	12 809	**7 074**	7 309	**2 390**	1 948	**(3 051)**	(5 282)	**41 824**	42 255
11 692	12 418	**6 585**	6 793	**2 378**	1 918	**(3 074)**	(5 296)	**39 599**	39 287
90	81	**174**	132	**10**	20	**18**	17	**496**	426
454	310	**315**	384	**2**	10	**5**	(3)	**1 729**	2 542
25 352	23 864	**48 626**	43 552	**9 604**	4 897	**(4 586)**	(4 938)	**189 837**	177 803
3 565	3 159	**–**	–	**–**	–	**–**	–	**19 953**	20 116
6 262	5 673	**6 479**	5 818	**–**	–	**–**	–	**43 638**	45 790
1 125	946	**–**	–	**4 260**	245	**3 181**	4 342	**12 921**	4 469
10 952	9 778	**6 479**	5 818	**4 260**	245	**3 181**	4 342	**76 512**	70 375
–	–	**–**	–	**–**	–	**(9 898)**	(1 879)	**(9 195)**	(869)
10 952	9 778	**6 479**	5 818	**4 260**	245	**(6 717)**	2 463	**67 317**	69 506

SHAREHOLDERS' FUND INCOME STATEMENT

for the year ended 31 December 2019

R million	Note	Sanlam Personal Finance 2019	Sanlam Personal Finance 2018	Sanlam Emerging Markets 2019	Sanlam Emerging Markets 2018
Financial services income	9	**21 068**	19 136	**25 367**	11 526
Sales remuneration	10	**(3 737)**	(3 334)	**(3 345)**	(1 568)
Income after sales remuneration		**17 331**	15 802	**22 022**	9 958
Underwriting policy benefits		**(5 441)**	(4 542)	**(10 043)**	(3 230)
Administration costs	11	**(6 087)**	(5 648)	**(6 431)**	(2 955)
Result from financial services before tax		**5 803**	5 612	**5 548**	3 773
Tax on result from financial services		**(1 570)**	(1 636)	**(1 789)**	(1 109)
Result from financial services after tax		**4 233**	3 976	**3 759**	2 664
Non-controlling interest		**32**	57	**(1 127)**	(626)
Net result from financial services		**4 265**	4 033	**2 632**	2 038
Net investment income		**256**	234	**299**	207
Investment income	12	**310**	379	**568**	319
Tax on investment income		**(49)**	(139)	**(174)**	(119)
Non-controlling interest		**(5)**	(6)	**(95)**	7
Net investment surpluses		**102**	27	**(136)**	27
Investment surpluses		**117**	24	**48**	52
Tax on investment surpluses		**(15)**	3	**(152)**	(27)
Non-controlling interest		**–**	–	**(32)**	2
Project expenses		**(2)**	–	**(89)**	(74)
Net operational earnings		**4 621**	4 294	**2 706**	2 198
Net amortisation of value of business acquired and other intangibles		**(58)**	(54)	**(437)**	(193)
Equity participation costs[1]		**–**	–	**–**	–
Net non-operational equity-accounted earnings		**–**	–	**(1)**	–
Non-operational equity-accounted earnings		**–**	–	**2**	2
Tax on non-operational equity-accounted headline earnings		**–**	–	**(2)**	–
Non-controlling interest		**–**	–	**(1)**	(2)
Net profit/(loss) on disposal of subsidiaries and associated companies		**–**	–	**(4)**	1 808
Profit/(loss) on disposal of subsidiaries and associated companies		**–**	–	**(7)**	2 190
Tax on profit on disposal of subsidiaries and associated companies		**–**	–	**–**	(118)
Non-controlling interest		**–**	–	**3**	(264)
Impairments		**(4)**	(22)	**(314)**	(252)
Normalised attributable earnings		**4 559**	4 218	**1 950**	3 561
Fund transfers[1]		**(370)**	(190)	**(27)**	–
Attributable earnings per Group statement of comprehensive income		**4 189**	4 028	**1 923**	3 561
Net profit on disposal of subsidiaries and associated companies		**–**	–	**4**	(1 808)
Impairments		**4**	22	**314**	252
Net equity-accounted non-headline earnings		**–**	–	**–**	–
Headline earnings		**4 193**	4 050	**2 241**	2 005
Diluted earnings per share					
Weighted average number of shares for operational earnings per share (million)					
Net result from financial services (cents)	13	**193,1**	192,2	**119,2**	97,1

[1] *The B-BBEE transaction gives rise to a non-recurring share-based payment charge of R1,686 billion. The market-related discount of R594 million is recognised as equity participation cost in the Shareholders' fund income statement, with the remainder recognised in fund transfers.*

Sanlam Investment Group		Santam		Sanlam Corporate		Group office and other[1]		Total	
2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
6 800	6 396	**25 396**	23 693	**5 989**	5 622	**(370)**	156	**84 250**	66 529
(547)	(408)	**(2 882)**	(2 635)	**(70)**	(67)	**–**	–	**(10 581)**	(8 012)
6 253	5 988	**22 514**	21 058	**5 919**	5 555	**(370)**	156	**73 669**	58 517
–	–	**(15 080)**	(13 827)	**(3 511)**	(3 254)	**–**	–	**(34 075)**	(24 853)
(4 694)	(4 446)	**(4 382)**	(4 253)	**(1 582)**	(1 497)	**(302)**	(321)	**(23 478)**	(19 120)
1 559	1 542	**3 052**	2 978	**826**	804	**(672)**	(165)	**16 116**	14 544
(392)	(326)	**(898)**	(877)	**(236)**	(224)	**214**	56	**(4 671)**	(4 116)
1 167	1 216	**2 154**	2 101	**590**	580	**(458)**	(109)	**11 445**	10 428
(97)	(64)	**(937)**	(905)	**–**	–	**358**	–	**(1 771)**	(1 538)
1 070	1 152	**1 217**	1 196	**590**	580	**(100)**	(109)	**9 674**	8 890
82	45	**120**	114	**55**	81	**232**	(43)	**1 044**	638
89	52	**263**	220	**60**	93	**106**	(40)	**1 396**	1 023
(9)	(7)	**(64)**	(26)	**(5)**	(12)	**87**	(3)	**(214)**	(306)
2	–	**(79)**	(80)	**–**	–	**39**	–	**(138)**	(79)
53	(9)	**152**	68	**49**	(11)	**(10)**	(39)	**210**	63
81	(6)	**379**	173	**62**	(11)	**(75)**	(39)	**612**	193
(28)	(3)	**(125)**	(50)	**(13)**	–	**37**	–	**(296)**	(77)
–	–	**(102)**	(55)	**–**	–	**28**	–	**(106)**	(53)
(39)	(56)	**–**	–	**–**	–	**–**	(6)	**(130)**	(136)
1 166	1 132	**1 489**	1 378	**694**	650	**122**	(197)	**10 798**	9 455
(211)	(126)	**(40)**	(10)	**(20)**	(17)	**–**	–	**(766)**	(400)
–	–	**(2)**	(5)	**–**	–	**(594)**	–	**(596)**	(5)
–	–	**29**	11	**(9)**	(8)	**–**	–	**19**	3
–	–	**48**	18	**(9)**	(8)	**–**	–	**41**	12
–	–	**–**	–	**–**	–	**–**	–	**(2)**	–
–	–	**(19)**	(7)	**–**	–	**–**	–	**(20)**	(9)
1	718	**–**	235	**(3)**	12	**–**	–	**(6)**	2 773
1	718	**–**	450	**(3)**	16	**–**	(262)	**(9)**	3 112
–	–	**–**	(39)	**–**	(4)	**–**	–	**–**	(161)
–	–	**–**	(176)	**–**	–	**–**	262	**3**	(178)
(5)	(31)	**(16)**	–	**–**	–	**–**	–	**(339)**	(305)
951	1 693	**1 460**	1 609	**662**	637	**(472)**	(197)	**9 110**	11 521
–	–	**–**	–	**–**	–	**(1 563)**	296	**(1 960)**	106
951	1 693	**1 460**	1 609	**662**	637	**(2 035)**	99	**7 150**	11 627
(1)	(718)	**–**	(235)	**3**	(12)	**–**	–	**6**	(2 773)
5	31	**16**	–	**–**	–	**–**	–	**339**	305
–	–	**–**	–	**(14)**	3	**–**	–	**(14)**	3
955	1 006	**1 476**	1 374	**651**	628	**(2 035)**	99	**7 481**	9 162
								2 208,5	2 098,8
48,4	54,9	**55,1**	57,0	**26,7**	27,6	**(4,5)**	(5,2)	**438,0**	423,6

NET OPERATING PROFIT

for the year ended 31 December 2019

Analysis per line of business

R million	Life business 2019	Life business 2018	General insurance 2019	General insurance 2018
Southern Africa	**4 981**	4 765	**1 162**	1 216
South Africa	**4 517**	4 352	**1 035**	1 088
Other	**464**	413	**127**	128
North and West Africa	**112**	124	**586**	400
East Africa	**59**	35	**18**	(14)
Other International	**149**	193	**585**	300
Emerging markets	**74**	94	**585**	300
Developed markets	**75**	99	**–**	–
Total	**5 301**	5 117	**2 351**	1 902

Investment management		Credit and structuring		Administration, health and other		Total	
2019	2018	2019	2018	2019	2018	2019	2018
683	613	447	338	84	19	7 357	6 951
648	565	205	156	74	46	6 479	6 207
35	48	242	182	10	(27)	878	744
–	–	(26)	–	(107)	–	565	524
4	–	–	–	22	(20)	103	1
153	305	753	592	9	24	1 649	1 414
(1)	(1)	753	592	9	24	1 420	1 009
154	306	–	–	–	–	229	405
840	918	1 174	930	8	23	9 674	8 890

NOTES TO THE SHAREHOLDERS' FUND INFORMATION

for the year ended 31 December 2019

1. Value of new covered business

R million	Note	Total 2019	Total 2018
Value of new covered business (at point of sale)			
Gross value of new covered business		**2 807**	2 426
Cost of capital		**(262)**	(239)
Value of new covered business		**2 545**	2 187
Value of new business attributable to:			
Shareholders' fund	3	**2 280**	1 985
Non-controlling interest		**265**	202
Value of new covered business		**2 545**	2 187
Analysis of new business profitability			
Before non-controlling interest			
Present value of new business premiums		**81 540**	78 085
New business margin		**3,12%**	2,80%
After non-controlling interest:			
Present value of new business premiums		**76 446**	74 378
New business margin		**2,98%**	2,67%
Capitalisation factor – recurring premiums		**4,1**	4,1

	Sanlam Personal Finance		Sanlam Emerging Markets		Sanlam Investment Group		Sanlam Corporate	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	1 899	1 630	**670**	592	**7**	7	**231**	197
	(89)	(95)	**(109)**	(83)	**(7)**	(7)	**(57)**	(54)
	1 810	1 535	**561**	509	**–**	–	**174**	143
	1 763	1 504	**343**	338	**–**	–	**174**	143
	47	31	**218**	171	**–**	–	**–**	–
	1 810	1 535	**561**	509	**–**	–	**174**	143
	50 144	49 764	**14 461**	11 099	**3 410**	3 334	**13 525**	13 888
	3,61%	3,08%	**3,88%**	4,59%	**0,00%**	0,00%	**1,29%**	1,03%
	49 269	48 790	**10 242**	8 366	**3 410**	3 334	**13 525**	13 888
	3,58%	3,08%	**3,35%**	4,04%	**0,00%**	0,00%	**1,29%**	1,03%
	4,4	4,2	**3,0**	3,2	**4,2**	4,1	**5,5**	5,3

1. Value of new covered business (continued)

Geographical analysis

	Value of new covered business		Present value of new business premiums		New business margin	
R million	2019	2018	2019	2018	2019	2018
Before non-controlling interest						
Southern Africa	2 371	2 005	70 233	69 398	3,37%	2,89%
South Africa	1 983	1 678	63 669	63 652	3,11%	2,64%
Sanlam Sky	769	606	8 561	7 685	8,98%	7,89%
Glacier	419	451	27 478	28 216	1,52%	1,60%
Other SPF	621	478	14 105	13 863	4,40%	3,45%
Sanlam Corporate	174	143	13 525	13 888	1,29%	1,03%
Other Southern Africa	388	327	6 564	5 746	5,91%	5,69%
North and West Africa	58	64	3 098	1 540	1,87%	4,16%
East Africa	(8)	3	1 185	933	(0,68%)	0,32%
Other International	124	115	7 024	6 214	1,77%	1,85%
Total	2 545	2 187	81 540	78 085	3,12%	2,80%
After non-controlling interest						
Southern Africa	2 166	1 839	67 203	66 707	3,22%	2,76%
South Africa	1 937	1 647	62 794	62 678	3,08%	2,63%
Sanlam Sky	767	606	8 559	7 685	8,96%	7,89%
Glacier	419	451	27 478	28 216	1,52%	1,60%
Other SPF	577	447	13 232	12 889	4,36%	3,47%
Sanlam Corporate	174	143	13 525	13 888	1,29%	1,03%
Other Southern Africa	229	192	4 409	4 029	5,19%	4,77%
North and West Africa	45	60	2 346	1 477	1,92%	4,06%
East Africa	(13)	–	832	651	(1,56%)	–
Other international	82	86	6 065	5 543	1,35%	1,55%
Total	2 280	1 985	76 446	74 378	2,98%	2,67%

2. Value of in-force covered business sensitivity analysis

R million	Gross value of in-force business 2019	Gross value of in-force business 2018	Cost of capital 2019	Cost of capital 2018	Net value of in-force business 2019	Net value of in-force business 2018	Change from base value (%) 2019	Change from base value (%) 2018
Base value	48 630	44 744	(3 451)	(3 288)	45 179	41 456		
Risk discount rate increase by 1%	45 944	42 475	(3 862)	(3 708)	42 082	38 767	(7)	(6)
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	49 876	45 812	(3 508)	(3 342)	46 368	42 470	3	2
Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	47 153	43 504	(3 428)	(3 231)	43 725	40 273	(3)	(3)
Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	49 292	45 377	(3 052)	(2 981)	46 240	42 396	2	2
Rand exchange rate depreciates by 10%	49 042	45 227	(3 519)	(3 356)	45 523	41 871	1	1
Expenses and persistency								
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	50 525	46 571	(3 453)	(3 316)	47 072	43 255	4	4
Discontinuance rates decrease by 10%	50 349	46 147	(3 548)	(3 364)	46 801	42 783	4	3
Insurance risk								
Mortality and morbidity decrease by 5% for life assurance business	50 706	46 641	(3 446)	(3 287)	47 260	43 354	5	5
Mortality and morbidity decrease by 5% for annuity business	48 367	44 492	(3 454)	(3 285)	44 913	41 207	(1)	(1)
Gross value of in-force business profile (%)								
Years 1 – 5	55	56						
Year 1	17	18						
Year 2	12	12						
Year 3	10	10						
Year 4	9	9						
Year 5	7	7						
Years 6 – 10	24	23						
Years 11 – 20	17	17						
Years 20+	4	4						

3. Value of new covered business sensitivity analysis

R million	Gross value of new business 2019	Gross value of new business 2018	Cost of capital 2019	Cost of capital 2018	Net value of new business 2019	Net value of new business 2018	Change from base value (%) 2019	Change from base value (%) 2018
Base value	**2 500**	2 191	**(220)**	(206)	**2 280**	1 985		
Risk discount rate increase by 1%	**2 214**	1 945	**(246)**	(235)	**1 968**	1 710	**(14)**	(14)
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	**2 652**	2 316	**(221)**	(205)	**2 431**	2 111	**7**	6
Expenses and persistency								
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	**2 706**	2 396	**(222)**	(208)	**2 484**	2 188	**9**	10
Acquisition expenses (excluding commission and commission related expenses) decrease by 10%	**2 725**	2 405	**(222)**	(208)	**2 503**	2 197	**10**	11
Discontinuance rates decrease by 10%	**2 820**	2 477	**(233)**	(219)	**2 587**	2 258	**13**	14
Insurance risk								
Mortality and morbidity decrease by 5% for life assurance business	**2 760**	2 441	**(222)**	(207)	**2 538**	2 234	**11**	13
Mortality and morbidity decrease by 5% for annuity business	**2 484**	2 183	**(224)**	(208)	**2 260**	1 975	**(1)**	(1)

4. Economic assumptions – covered business

Gross investment return, risk discount rate and inflation

%	2019	2018
Sanlam Life[1]		
Point used on the relevant yield curve	**9 year**	9 year
Fixed-interest securities	**9,3**	9,5
Equities	**12,8**	13,0
Offshore investments	**11,8**	12,0
Hedged equity	**8,3**	8,9
Property	**10,3**	10,5
Cash	**8,3**	8,5
Inflation rate[1]	**7,3**	7,5
Risk discount rate	**11,8**	12,0

[1] *Expense inflation of 11,3% (2018: 11,5%) assumed for retail business administered on old platforms.*

%	2019	2018
Sanlam Developing Markets[1]		
Point used on the relevant yield curve	**5 year**	5 year
Fixed-interest securities	**8,1**	8,6
Equities and offshore investments	**11,6**	12,1
Hedged equities	**7,1**	7,6
Property	**9,1**	9,6
Cash	**7,1**	7,6
Inflation rate	**6,1**	6,6
Risk discount rate	**10,6**	11,1

[1] *Excludes the Sanlam Life products written on the SDM licence.*

%	2019	2018
Botswana Life Insurance		
Point used on the relevant yield curve	**n/a**	n/a
Fixed-interest securities	**6,5**	7,0
Equities and offshore investments	**10,0**	10,5
Hedged equities	**n/a**	n/a
Property	**7,5**	8,0
Cash	**5,5**	6,0
Inflation rate	**3,5**	4,0
Risk discount rate	**10,0**	10,5
Saham Assurance Maroc		
Point used on the relevant yield curve	**n/a**	n/a
Fixed-interest securities	**2,8**	3,2
Equities and offshore investments	**6,3**	6,7
Hedged equities	**n/a**	n/a
Property	**3,8**	4,2
Cash	**1,8**	2,2
Inflation rate	**0,0**	0,2
Risk discount rate	**6,8**	7,2
Sanlam Investments and Pensions		
Point used on the relevant yield curve	**15 year**	15 year
Fixed-interest securities	**1,2**	1,6
Equities and offshore investments	**4,4**	4,8
Hedged equities	**n/a**	n/a
Property	**4,4**	4,8
Cash	**1,2**	1,6
Inflation rate	**3,0**	3,3
Risk discount rate	**4,9**	5,3

4. Economic assumptions – covered business (continued)

Illiquidity premiums

Investment returns on non-participating and inflation-linked annuities, as well as guarantee plans include assumed illiquidity premiums due to matching assets being held to maturity.

Assumed illiquidity premiums generally amount to between 25bps and 70bps (2018: 25bps and 70bps) for non-participating annuities, between 25bps and 75bps (2018: 25bps and 75bps) for inflation-linked annuities and capped at 120bps (2018: 120bps) reflecting both illiquidity premiums and credit risk premium for guarantee plans.

Asset mix of the assets supporting adjusted net asset value – covered business

	R million		Fixed-interest securities		Equities	
%[1]	2019	2018	2019	2018	2019	2018
Required capital						
South Africa[2]	**9 676**	9 861	**–**	–	**3**	3
Namibia	**510**	508	**6**	6	**36**	36
Botswana Life	**312**	463	**–**	–	**–**	–
Saham	**903**	804	**95**	–	**5**	–
Sanlam Life Insurance (Kenya)	**111**	134	**100**	100	**–**	–
Other African Operations	**521**	415	**39**	53	**4**	6
Shriram Life Insurance (India)	**277**	255	**85**	85	**10**	10
MCIS (Malaysia)	**402**	356	**69**	69	**18**	18
Sanlam Investments and Pensions (UK)	**541**	533	**80**	–	**–**	–
Total required capital	**13 253**	13 329				
Free Surplus	**1 724**	1 449				
Adjusted net asset value	**14 977**	14 778				

(1) The 31 December 2018 asset mix percentages have been restated to reflect the assets backing required capital and do not include free surplus.
(2) The 31 December 2019 asset mix backing the Sanlam Life required capital is 100% hedged (2018: 80%).

Assumed long-term expected return on required capital

	Gross return on required capital		Net return on required capital	
%	2019	2018	2019	2018
Sanlam Life	**8,3**	9,1	**6,9**	7,4
Sanlam Developing Markets	**8,0**	8,5	**6,2**	6,6
Sanlam Namibia	**10,3**	10,3	**9,2**	9,2
Sanlam Namibia Holdings	**8,5**	9,0	**7,4**	7,9
Botswana Life Insurance	**6,5**	7,0	**4,9**	5,3
Saham Assurance Maroc	**2,8**	3,2	**2,8**	3,2
Sanlam Life Insurance (Kenya)	**10,7**	11,3	**7,5**	7,9
Shriram Life Insurance (India)	**7,8**	8,6	**6,1**	7,0
MCIS (Malaysia)	**4,1**	4,9	**3,8**	4,5
Sanlam Investments and Pensions (UK)	**1,6**	1,6	**1,2**	1,3

Hedged equities		Property		Cash		Total	
2019	2018	2019	2018	2019	2018	2019	2018
91	91	–	–	6	6	100	100
–	–	–	–	58	58	100	100
–	–	50	50	50	50	100	100
–	–	–	–	–	100	100	100
–	–	–	–	–	–	100	100
–	–	4	6	53	35	100	100
–	–	–	–	5	5	100	100
–	–	–	–	13	13	100	100
–	–	–	–	20	100	100	100

5. Value of other Group operations sensitivity analysis

5.1 Valuation methodology

	Total	
R million	2019	2018
Listed share price	**20 973**	21 082
Santam	**19 675**	20 102
Sanlam Investment Group: Nucleus	**1 298**	980
Discounted cash flows	**50 003**	52 722
Sanlam Personal Finance	**4 171**	3 976
Glacier	**2 501**	2 359
Sanlam Personal Loans	**1 320**	1 224
Other operations	**350**	393
Sanlam Emerging Markets	**31 556**	34 248
Saham	**19 400**	20 309
Shriram Capital	**9 282**	10 632
Letshego	**935**	889
Pacific & Orient	**330**	433
Capricorn Investment Holdings	**936**	968
Other operations	**673**	1 017
Sanlam Investment Group	**13 692**	13 566
Investment Management SA	**5 058**	4 822
Wealth Management	**2 275**	2 709
International	**5 085**	4 925
Sanlam Specialised Finance	**1 274**	1 110
Sanlam Corporate	**584**	932
Afrocentric	**571**	892
Other	**13**	40
Net asset value	**2 385**	2 620
Sanlam Investment Group	**2 004**	1 360
International	**1 614**	970
Sanlam Specialised Finance	**390**	390
Sanlam Emerging Markets	**381**	1 260
Total	**73 361**	76 424

5.2 Sensitivity analysis: businesses valued at discounted cash flows

R million	Base value 2019	Base value 2018	Risk discount rate +1% 2019	Risk discount rate +1% 2018	Perpetuity growth rate +1% 2019	Perpetuity growth rate +1% 2018
Sanlam Personal Finance	**4 171**	3 976	**3 832**	3 652	**4 323**	4 117
Glacier	**2 501**	2 359	**2 275**	2 151	**2 610**	2 457
Sanlam Personal Loans	**1 320**	1 224	**1 234**	1 138	**1 352**	1 256
Other operations	**350**	393	**323**	363	**361**	404
Sanlam Emerging Markets	**31 556**	34 248	**26 957**	30 188	**35 613**	37 778
Saham	**19 400**	20 309	**16 752**	18 195	**21 638**	22 197
Shriram Capital	**9 282**	10 632	**7 805**	9 071	**10 773**	11 990
Letshego	**935**	889	**805**	791	**1 033**	946
Pacific & Orient	**330**	433	**286**	378	**361**	477
Capricorn Investment Holdings	**936**	968	**817**	891	**1 026**	1 025
Other operations	**673**	1 017	**492**	862	**782**	1 143
Sanlam Investment Group	**13 692**	13 566	**11 990**	12 024	**14 781**	14 382
Investment Management SA	**5 058**	4 822	**4 558**	4 365	**5 304**	5 057
Wealth Management	**2 275**	2 709	**2 059**	2 397	**2 386**	2 772
International	**5 085**	4 925	**4 198**	4 243	**5 772**	5 398
Sanlam Specialised Finance	**1 274**	1 110	**1 175**	1 019	**1 319**	1 155
Sanlam Corporate	**584**	932	**540**	863	**604**	962
Afrocentric	**571**	892	**527**	825	**591**	921
Other	**13**	40	**13**	38	**13**	41
	50 003	52 722	**43 319**	46 727	**55 321**	57 239
Weighted average assumption			**14,6%**	14,5%	**2 – 5%**	2 – 5%

R million	Equities and properties -10% 2019	Equities and properties -10% 2018	Risk discount rate -1% 2019	Risk discount rate -1% 2018	Rand exchange rate depreciation +10% 2019	Rand exchange rate depreciation +10% 2018
Sanlam Personal Finance	**4 173**	3 801	**4 570**	4 354	**4 171**	3 976
Glacier	**2 503**	2 184	**2 770**	2 606	**2 501**	2 359
Sanlam Personal Loans	**1 320**	1 224	**1 420**	1 321	**1 320**	1 224
Other operations	**350**	393	**380**	427	**350**	393
Sanlam Emerging Markets	**31 556**	34 216	**38 131**	40 050	**34 618**	37 628
Saham	**19 400**	20 309	**23 189**	23 428	**21 340**	22 340
Shriram Capital	**9 282**	10 632	**11 452**	12 774	**10 209**	11 695
Letshego	**935**	889	**1 107**	1 010	**1 029**	978
Pacific & Orient	**330**	433	**392**	509	**363**	476
Capricorn Investment Holdings	**936**	936	**1 092**	1 068	**936**	968
Other operations	**673**	1 017	**899**	1 261	**741**	1 171
Sanlam Investment Group	**11 775**	12 758	**15 880**	15 367	**14 223**	14 073
Investment Management SA	**3 963**	4 422	**5 658**	5 373	**5 071**	4 822
Wealth Management	**1 930**	2 545	**2 538**	2 948	**2 284**	2 655
International	**4 686**	4 731	**6 294**	5 825	**5 594**	5 486
Sanlam Specialised Finance	**1 196**	1 060	**1 390**	1 221	**1 274**	1 110
Sanlam Corporate	**584**	932	**636**	1 015	**584**	932
Afrocentric	**571**	892	**623**	972	**571**	892
Other	**13**	40	**13**	43	**13**	40
	48 088	51 707	**59 217**	60 786	**53 596**	56 609

6. Business volumes

6.1 Analysis of new business and total funds received

	Life business(1)		General insurance		Investment business(2)		Total	
R million	2019	2018	2019	2018	2019	2018	2019	2018
Sanlam Personal Finance	33 505	34 112	–	–	28 308	26 859	61 813	60 971
Recurring premium sub-cluster	3 308	3 282	–	–	121	130	3 429	3 412
Recurring	2 317	2 263	–	–	121	130	2 438	2 393
Single	991	1 019	–	–	–	–	991	1 019
Sky	2 726	2 494	–	–	–	–	2 726	2 494
Glacier	27 471	28 336	–	–	28 187	26 729	55 658	55 065
Sanlam Emerging Markets	8 343	6 410	15 604	9 873	10 862	9 941	34 809	26 224
Southern Africa	4 365	3 641	1 206	1 025	10 124	9 326	15 695	13 992
Recurring	927	744	1 206	1 025	–	–	2 133	1 769
Single	3 438	2 897	–	–	10 124	9 326	13 562	12 223
North and West Africa	1 901	1 042	10 765	5 937	–	–	12 666	6 979
Recurring	738	464	10 765	5 937	–	–	11 503	6 401
Single	1 163	578	–	–	–	–	1 163	578
East Africa	774	636	850	617	738	615	2 362	1 868
Recurring	246	177	850	617	–	–	1 096	794
Single	528	459	–	–	738	615	1 266	1 074
Other International	1 303	1 091	2 783	2 294	–	–	4 086	3 385
Recurring	965	747	2 783	2 294	–	–	3 748	3 041
Single	338	344	–	–	–	–	338	344
Sanlam Investment Group	3 289	3 219	–	–	109 947	96 477	113 236	99 696
Investment Management SA	–	–	–	–	88 857	72 100	88 857	72 100
Wealth Management	–	–	–	–	6 890	4 985	6 890	4 985
International	3 289	3 219	–	–	14 200	19 392	17 489	22 611
Recurring	37	37	–	–	3	8	40	45
Single	3 252	3 182	–	–	14 197	19 384	17 449	22 566
Santam	–	–	24 227	22 812	–	–	24 227	22 812
Sanlam Corporate	8 790	10 074	–	–	6 448	3 252	15 238	13 326
Recurring	1 045	888	–	–	95	–	1 140	888
Single	7 745	9 186	–	–	6 353	3 252	14 098	12 438
Total new business	53 927	53 815	39 831	32 685	155 565	136 529	249 323	223 029

(1) *Life business relates to business written under a life licence that is included in the calculation of embedded value of covered business.*
(2) *Includes life licence and investment business. Life licence business relates to investment products provided by means of a policy where there is very little or no insurance risk that is excluded from the calculation of embedded value of covered business.*

R million	Life business(1) 2019	Life business(1) 2018	General insurance 2019	General insurance 2018	Investment business(2) 2019	Investment business(2) 2018	Total 2019	Total 2018
Recurring premiums on existing funds:								
Sanlam Personal Finance	20 732	18 467	–	–	161	171	20 893	18 638
Recurring premium sub-cluster	14 623	13 485	–	–	161	171	14 784	13 656
Sky	5 992	4 879	–	–	–	–	5 992	4 879
Glacier	117	103	–	–	–	–	117	103
Sanlam Emerging Markets	8 615	5 873	–	–	644	252	9 259	6 125
Southern Africa	3 199	3 072	–	–	–	–	3 199	3 072
North and West Africa	2 184	191	–	–	–	–	2 184	191
East Africa	535	539	–	–	644	252	1 179	791
Other International	2 697	2 071	–	–	–	–	2 697	2 071
Sanlam Investment Group	340	361	–	–	48	49	388	410
International	340	361	–	–	48	49	388	410
Sanlam Corporate	6 555	5 492	–	–	2 852	3 862	9 407	9 354
Total funds received	90 169	84 008	39 831	32 685	159 270	140 863	289 270	257 556

6. Business volumes (continued)

6.2 Analysis of payments to clients

	Life business[1]		General insurance		Investment business[2]		Total	
R million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Sanlam Personal Finance	**47 220**	43 860	**–**	–	**25 893**	25 455	**73 113**	69 315
Recurring premium sub-cluster	**19 893**	18 936	**–**	–	**392**	487	**20 285**	19 423
Surrenders	**2 234**	2 366	**–**	–	**–**	–	**2 234**	2 366
Other	**17 659**	16 570	**–**	–	**392**	487	**18 051**	17 057
Sanlam Sky	**4 237**	3 748	**–**	–	**–**	–	**4 237**	3 748
Surrenders	**476**	455	**–**	–	**–**	–	**476**	455
Other	**3 761**	3 293	**–**	–	**–**	–	**3 761**	3 293
Glacier	**23 090**	21 176	**–**	–	**25 501**	24 968	**48 591**	46 144
Surrenders	**4 397**	3 426	**–**	–	**–**	–	**4 397**	3 426
Other	**18 693**	17 750	**–**	–	**25 501**	24 968	**44 194**	42 718
Sanlam Emerging Markets	**11 007**	8 057	**9 569**	5 913	**12 253**	9 772	**32 829**	23 742
Southern Africa	**4 691**	4 383	**570**	386	**11 743**	9 334	**17 004**	14 103
Surrenders	**788**	526	**–**	–	**–**	–	**788**	526
Other	**3 903**	3 857	**570**	386	**11 743**	9 334	**16 216**	13 577
North and West Africa	**1 645**	515	**6 930**	3 441	**–**	–	**8 575**	3 956
Surrenders	**6**	2	**–**	–	**–**	–	**6**	2
Other	**1 639**	513	**6 930**	3 441	**–**	–	**8 569**	3 954
East Africa	**885**	807	**445**	334	**510**	438	**1 840**	1 579
Surrenders	**37**	35	**–**	–	**–**	–	**37**	35
Other	**848**	772	**445**	334	**510**	438	**1 803**	1 544
Other international	**3 786**	2 352	**1 624**	1 752	**–**	–	**5 410**	4 104
Surrenders	**651**	599	**–**	–	**–**	–	**651**	599
Other	**3 135**	1 753	**1 624**	1 752	**–**	–	**4 759**	3 505
Sanlam Investment Group	**4 586**	3 968	**–**	–	**87 817**	88 924	**92 403**	92 892
Investment Management SA	**–**	–	**–**	–	**68 778**	67 967	**68 778**	67 967
Wealth Management	**–**	–	**–**	–	**6 327**	4 200	**6 327**	4 200
International	**4 586**	3 968	**–**	–	**12 712**	16 757	**17 298**	20 725
Santam	**–**	–	**15 081**	13 826	**–**	–	**15 081**	13 826
Sanlam Corporate	**11 367**	11 309	**–**	–	**7 711**	4 933	**19 078**	16 242
Surrenders	**2 178**	1 899	**–**	–	**1 279**	1 036	**3 457**	2 935
Other	**9 189**	9 410	**–**	–	**6 432**	3 897	**15 621**	13 307
Total payments to clients	**74 180**	67 194	**24 650**	19 739	**133 674**	129 084	**232 504**	216 017

(1) *Life business relates to business written under a life licence that is included in the calculation of embedded value of covered business.*
(2) *Includes life licence and investment business. Life licence business relates to investment products provided by means of a policy where there is very little or no insurance risk that is excluded from the calculation of embedded value of covered business.*

6.3 Analysis of net inflow/(outflow) of funds

R million	Life business[1] 2019	Life business[1] 2018	General insurance 2019	General insurance 2018	Investment business[2] 2019	Investment business[2] 2018	Total 2019	Total 2018
Sanlam Personal Finance	7 017	8 719	–	–	2 576	1 575	9 593	10 294
Recurring premium sub-cluster	(1 962)	(2 169)	–	–	(110)	(186)	(2 072)	(2 355)
Sky	4 481	3 625	–	–	–	–	4 481	3 625
Glacier	4 498	7 263	–	–	2 686	1 761	7 184	9 024
Sanlam Emerging Markets	5 951	4 226	6 035	3 960	(747)	421	11 239	8 607
Southern Africa	2 873	2 330	636	479	(1 619)	(8)	1 890	2 801
North and West Africa	2 440	718	3 835	2 803	–	–	6 275	3 521
East Africa	424	368	405	252	872	429	1 701	1 049
Other international	214	810	1 159	426	–	–	1 373	1 236
Sanlam Investment Group	(957)	(388)	–	–	22 178	7 602	21 221	7 214
Investment Management SA	–	–	–	–	20 079	4 133	20 079	4 133
Wealth Management	–	–	–	–	563	785	563	785
International	(957)	(388)	–	–	1 536	2 684	579	2 296
Santam	–	–	9 146	8 986	–	–	9 146	8 986
Sanlam Corporate	3 978	4 257	–	–	1 589	2 181	5 567	6 438
Total funds received	15 989	16 814	15 181	12 946	25 596	11 779	56 766	41 539

(1) *Life business relates to business written under a life licence that is included in the calculation of embedded value of covered business.*
(2) *Includes life licence and investment business. Life licence business relates to investment products provided by means of a policy where there is very little or no insurance risk that is excluded from the calculation of embedded value of covered business.*

7. Cluster information

7.1 Sanlam Personal Finance

Analysis of earnings

R million	Life business 2019	Life business 2018	Non-life operations 2019	Non-life operations 2018	Total 2019	Total 2018
Net result from financial services	3 827	3 677	438	356	4 265	4 033
Recurring premium sub-cluster	1 803	2 042	9	(14)	1 812	2 028
Sanlam Sky	974	897	–	–	974	897
Glacier	963	658	176	196	1 139	854
SBD and other	87	80	253	174	340	254
Net investment return	274	162	84	99	358	261
Net other earnings	(18)	(36)	(46)	(40)	(64)	(76)
Normalised attributable earnings	4 083	3 803	476	415	4 559	4 218

7. Cluster information (continued)

7.1 Sanlam Personal Finance (continued)

Analysis of change in GEV – covered business

R million	Total 2019	Total 2018	Value of in-force 2019	Value of in-force 2018	Cost of capital 2019	Cost of capital 2018	Net asset value 2019	Net asset value 2018
Operational earnings	**7 087**	7 459	**3 301**	3 150	**25**	127	**3 761**	4 182
Value of new life insurance business	**1 763**	1 504	**4 076**	3 644	**(86)**	(95)	**(2 227)**	(2 045)
Unwinding of discount rate	**4 109**	3 895	**4 017**	3 816	**92**	79	**–**	–
Expected profit	**–**	–	**(5 452)**	(5 298)	**–**	–	**5 452**	5 298
Operating experience variances	**952**	1 499	**354**	376	**(3)**	171	**601**	952
Risk experience	**455**	575	**134**	139	**1**	–	**320**	436
Persistency	**(91)**	(45)	**141**	105	**(2)**	–	**(230)**	(150)
Maintenance expenses	**82**	38	**(2)**	(4)	**–**	–	**84**	42
Working capital management	**380**	405	**–**	–	**–**	–	**380**	405
Credit spread	**83**	137	**(1)**	–	**–**	–	**84**	137
Other	**43**	389	**82**	136	**(2)**	171	**(37)**	82
Operating assumption changes	**263**	561	**306**	612	**22**	(28)	**(65)**	(23)
Risk experience	**154**	262	**26**	260	**2**	1	**126**	1
Persistency	**(23)**	54	**313**	120	**(11)**	12	**(325)**	(78)
Maintenance expenses	**339**	150	**272**	148	**–**	–	**67**	2
Modelling changes and other	**(207)**	95	**(305)**	84	**31**	(41)	**67**	52
Net investment return	**274**	162	**–**	–	**–**	–	**274**	162
Expected return on adjusted net asset value	**382**	354	**–**	–	**–**	–	**382**	354
Investment variances on adjusted net asset value	**(108)**	(192)	**–**	–	**–**	–	**(108)**	(192)
Valuation and economic basis	**669**	(3 187)	**648**	(2 737)	**(45)**	38	**66**	(488)
Investment variances on in-force business	**173**	(2 456)	**109**	(2 037)	**(2)**	67	**66**	(486)
Economic assumption changes	**496**	(731)	**539**	(700)	**(43)**	(29)	**–**	(2)
Investment yields	**308**	(720)	**315**	(689)	**5**	(29)	**(12)**	(2)
Long-term asset mix assumptions and other	**188**	(11)	**224**	(11)	**(48)**	–	**12**	–
Change in tax basis	**–**	(37)	**–**	(20)	**–**	–	**–**	(17)
Goodwill and VOBA from business combinations	**(17)**	(25)	**(17)**	(14)	**–**	–	**–**	(11)
GEV earnings: covered business	**8 013**	4 372	**3 932**	379	**(20)**	165	**4 101**	3 828
Acquired value of in-force	**138**	26	**32**	25	**(1)**	(1)	**107**	2
Transfers from/(to) other Group operations	**–**	177	**–**	–	**–**	–	**–**	177
Transfers from covered business	**(4 390)**	(4 912)	**–**	–	**–**	–	**(4 390)**	(4 912)
Embedded value of covered business at the beginning of the year	**39 209**	39 546	**35 086**	34 682	**(1 228)**	(1 392)	**5 351**	6 256
Embedded value of covered business at the end of the year	**42 970**	39 209	**39 050**	35 086	**(1 249)**	(1 228)	**5 169**	5 351

Assets under management

R million	2019	2018
Sanlam Sky: Life business	**5 267**	5 291
Recurring premium sub-cluster	**160 643**	154 268
Life business	**158 816**	152 459
Investment operations	**1 827**	1 809
Glacier	**349 091**	312 769
Life business	**201 775**	181 986
Investment operations	**147 316**	130 783
Total	**515 001**	472 328
Life business	**365 858**	339 736
Investment operations	**149 143**	132 592
Sanlam Personal Loans		
Gross size of loan book (R million)	**5 633**	4 931
Interest margin (%)	**16,5**	16,7
Bad debt ratio (%)	**5,6**	5,6
Administration cost as % of net interest (%)	**29,9**	28,5

7. Cluster information (continued)

7.2 Sanlam Emerging Markets

Analysis of net result from financial services

R million	Life business 2019	Life business 2018[1]	General insurance 2019	General insurance 2018[1]
Southern Africa	**815**	720	**213**	186
North and West Africa	**224**	180	**1 436**	705
East Africa	**138**	95	**30**	(20)
Other international	**139**	168	**989**	407
Corporate costs	**–**	–	**–**	–
Gross result from financial services	**1 316**	1 163	**2 668**	1 278
Tax on result from financial services	**(293)**	(213)	**(873)**	(330)
Non-controlling interests	**(314)**	(284)	**(661)**	(242)
Net result from financial services	**709**	666	**1 134**	706
Southern Africa	**464**	413	**125**	118
North and West Africa	**112**	124	**546**	368
East Africa	**59**	35	**16**	(15)
Other international	**74**	94	**447**	235
Corporate costs	**–**	–	**–**	–
Saham	**73**	106	**905**	435
Other	**636**	560	**229**	271
Net result from financial services	**709**	666	**1 134**	706

[1] *Comparatives have been adjusted to reflect corporate cost allocation on a separate line.*

Analysis of general insurance and reinsurance gross result from financial services

R million	Gross written premiums 2019	Gross written premiums 2018	Net earned premiums 2019	Net earned premiums 2018
Southern Africa	**3 499**	2 053	**1 766**	1 216
North and West Africa	**12 914**	6 114	**10 220**	5 751
East Africa	**1 445**	1 033	**834**	626
Other international	**3 424**	2 773	**2 779**	2 257
Total General insurance and reinsurance	**21 282**	11 973	**15 599**	9 850
Saham	**16 312**	7 915	**12 248**	6 932
Other	**4 970**	4 058	**3 351**	2 918
Total General insurance and reinsurance	**21 282**	11 973	**15 599**	9 850

[1] *The 2019 values include the allocation of SEM group costs to the general insurance portfolio, comparatives have not been adjusted to reflect this. Excluding the SEM group cost allocation, the 2019 underwriting margin is 5,1% for SEM and 2,8% for the Saham group.*

Investment management		Credit and structuring		Corporate and other		Total	
2019	2018[1]	2019	2018[1]	2019	2018[1]	2019	2018[1]
97	114	596	487	55	(16)	1 776	1 491
–	(1)	(20)	–	(125)	–	1 515	884
27	7	–	–	23	(42)	218	40
(1)	(1)	1 061	887	35	26	2 223	1 487
–	–	–	–	(184)	(129)	(184)	(129)
123	119	1 637	1 374	(196)	(161)	5 548	3 773
(41)	(39)	(559)	(527)	(22)	–	(1 788)	(1 109)
(44)	(33)	(109)	(73)	–	6	(1 128)	(626)
38	47	969	774	(218)	(155)	2 632	2 038
35	48	242	182	10	(27)	876	734
–	–	(26)	–	(107)	–	525	492
4	–	–	–	22	(20)	101	–
(1)	(1)	753	592	9	24	1 282	944
–	–	–	–	(152)	(132)	(152)	(132)
–	–	–	–	(248)	(31)	730	510
38	47	969	774	30	(124)	1 902	1 528
38	47	969	774	(218)	(155)	2 632	2 038

Claims ratio (%)		Underwriting margin (%)[1]		Investment return on insurance funds (%)		Net insurance result (%)[1]	
2019	2018	2019	2018	2019	2018	2019	2018
51,9	42,9	11,8	16,5	3,1	8,4	14,9	24,9
65,0	64,4	0,8	2,0	12,7	6,6	13,5	8,6
53,0	59,3	(1,4)	(9,4)	5,3	8,0	3,9	(1,4)
58,8	78,1	13,4	(0,7)	23,2	28,2	36,6	27,5
61,6	64,4	4,0	2,0	13,2	11,2	17,2	13,2
63,3	61,5	2,0	4,1	11,9	8,1	13,9	12,2
55,5	72,7	11,7	(2,4)	17,7	18,7	29,4	16,3
61,6	64,4	4,0	2,0	13,2	11,2	17,2	13,2

7. Cluster information (continued)

7.2 Sanlam Emerging Markets (continued)

Analysis of insurance funds

R million			Equities and similar securities (%)	
	2019	2018	**2019**	2018
Southern Africa	**673**	758	**50**	57
North and West Africa	**12 518**	8 318	**44**	19
East Africa	**424**	441	**–**	6
Other international	**1 951**	1 524	**15**	10
Total insurance funds	**15 566**	11 041	**39**	20
Saham	**13 686**	9 739	**44**	21
Other subsidiaries	**309**	292	**–**	–
Total subsidiaries	**13 995**	10 031	**42**	20
Associated companies[1]	**1 571**	1 010	**9**	13
Total insurance funds	**15 566**	11 041	**39**	20

[1] *Sanlam's effective share.*

Analysis of net investment return

R million	Life business		General insurance	
	2019	2018	**2019**	2018
Southern Africa	**137**	303	**(59)**	20
North and West Africa	**50**	(39)	**257**	300
East Africa	**42**	(129)	**32**	20
Other international	**(3)**	19	**132**	(80)
Corporate	**–**	–	**–**	–
Gross investment return	**226**	154	**362**	260
Tax on investment return	**(70)**	(1)	**(178)**	(107)
Non-controlling interests	**(32)**	12	**(125)**	(54)
Net investment return	**124**	165	**59**	99
Saham	**20**	4	**58**	161
Other	**104**	161	**1**	(62)
Net investment return	**124**	165	**59**	99

	Asset allocation					
	Investment properties (%)		Interest-bearing securities (%)		Cash, deposits and similar securities (%)	
	2019	2018	2019	2018	2019	2018
	2	2	14	13	34	28
	45	65	11	16	–	–
	5	2	55	43	40	49
	–	–	56	40	29	50
	37	49	18	20	6	11
	41	56	11	16	4	7
	–	–	45	27	55	73
	41	55	12	16	5	9
	–	–	74	57	17	30
	37	49	18	20	6	11

	Investment management		Credit and banking		Corporate and other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	(2)	40	(2)	(9)	70	(13)	144	341
	2	–	–	–	(67)	(19)	242	242
	(1)	(1)	–	–	(18)	(144)	55	(254)
	–	(1)	(7)	22	65	82	187	42
	–	(1)	–	–	(12)	1	(12)	–
	(1)	37	(9)	13	38	(93)	616	371
	(7)	(5)	1	(7)	(72)	(26)	(326)	(146)
	9	(15)	–	–	21	66	(127)	9
	1	17	(8)	6	(13)	(53)	163	234
	–	–	–	–	(60)	(9)	18	156
	1	17	(8)	6	47	(44)	145	78
	1	17	(8)	6	(13)	(53)	163	234

7. Cluster information (continued)

7.2 Sanlam Emerging Markets (continued)

Analysis of capital portfolio

R million	2019	2018
Southern Africa	2 462	3 018
North and West Africa	13 421	10 101
East Africa	1 793	1 878
Other international	3 824	3 257
Total capital portfolio	21 500	18 254
Saham	15 703	11 726
Other subsidiaries	3 294	4 486
Total subsidiaries	18 997	16 212
Associated companies[1]	2 503	2 042
Total capital portfolio	21 500	18 254

[1] *Sanlam's effective share.*

Assets under management

	Southern Africa	
R million	2019	2018
Life business	32 115	29 800
Investment operations	40 621	36 316
Total assets under management	72 736	66 116

Credit and structuring

	Size of loan books (Sanlam share)	
R million	2019	2018
Shriram Transport Finance Company	20 811	21 158
Shriram City Union Finance	5 158	5 426
Capricorn Investment Holdings	9 219	8 726
Letshego	2 201	2 063

Asset allocation							
Equities and similar securities (%)		Investment properties (%)		Interest-bearing securities (%)		Cash, deposits and similar securities (%)	
2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
39	23	**4**	5	**32**	40	**25**	32
45	20	**45**	62	**12**	18	**(2)**	0
10	9	**42**	42	**33**	29	**15**	20
18	17	**0**	0	**51**	48	**31**	35
36	19	**32**	38	**23**	29	**9**	14
45	22	**38**	53	**12**	19	**5**	6
5	6	**24**	19	**49**	46	**22**	29
38	17	**36**	44	**18**	26	**8**	13
28	30	**0**	1	**59**	47	**13**	22
36	19	**32**	38	**23**	29	**9**	14

North and West Africa		East Africa		Other International		Total	
2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
13 157	12 679	**3 590**	3 320	**16 326**	16 154	**65 188**	61 953
–	–	**40 855**	37 633	**–**	–	**81 476**	73 949
13 157	12 679	**44 445**	40 953	**16 326**	16 154	**146 664**	135 902

Net interest margin (%)		Bad debt ratio (%)		Administration cost as % of net interest margin	
2019	**2018**	**2019**	**2018**	**2019**	**2018**
7,3	6,5	**2,2**	2,0	**22,7**	25,0
12,3	10,2	**2,3**	3,4	**40,6**	35,6
2,9	4,8	**0,1**	0,2	**95,1**	93,1
21,1	21,6	**1,7**	3,8	**52,7**	47,5

7. Cluster information (continued)

7.2 Sanlam Emerging Markets (continued)

Analysis of change in GEV – covered business

	Total	
R million	2019	2018
Operational earnings	**485**	918
Value of new life insurance business	**343**	338
Unwinding of discount rate	**680**	536
Expected profit	**–**	–
Operating experience variances	**8**	206
Risk experience	**18**	50
Persistency	**(66)**	99
Maintenance expenses	**2**	16
Working capital management	**57**	35
Credit spread	**5**	15
Other	**(8)**	(9)
Operating assumption changes	**(546)**	(162)
Risk experience	**45**	50
Persistency	**(74)**	7
Maintenance expenses	**(105)**	(66)
Modelling changes and other	**(412)**	(153)
Net investment return	**(180)**	437
Expected return on adjusted net asset value	**317**	240
Investment variances on adjusted net asset value	**(497)**	197
Valuation and economic basis	**(388)**	272
Investment variances on in-force business	**33**	(51)
Economic assumption changes	**(106)**	(11)
Investment yields	**(118)**	15
Long-term asset mix assumptions and other	**12**	(26)
Foreign currency translation differences	**(315)**	334
Change in tax basis	**–**	1
Goodwill and VOBA from business combinations	**–**	(1 198)
Net project expenses	**–**	(13)
GEV earnings: covered business	**(83)**	417
Acquired value of in-force	**(10)**	2 810
Transfers from covered business	**(264)**	(762)
Embedded value of covered business at the beginning of the year	**9 151**	6 686
Embedded value of covered business at the end of the year	**8 794**	9 151

Value of in-force		Cost of capital		Net asset value	
2019	**2018**	**2019**	**2018**	**2019**	**2018**
(204)	382	**(62)**	(182)	**751**	718
840	776	**(71)**	(49)	**(426)**	(389)
621	499	**59**	37	**–**	–
(1 043)	(924)	**–**	–	**1 043**	924
14	13	**(28)**	(2)	**22**	195
16	18	**(3)**	2	**5**	30
12	8	**(20)**	(5)	**(58)**	96
(4)	(2)	**(4)**	–	**10**	18
–	–	**–**	–	**57**	35
–	–	**–**	–	**5**	15
(10)	(11)	**(1)**	1	**3**	1
(636)	18	**(22)**	(168)	**112**	(12)
3	38	**5**	4	**37**	8
(55)	9	**(16)**	(2)	**(3)**	–
(110)	(59)	**–**	1	**5**	(8)
(474)	30	**(11)**	(171)	**73**	(12)
–	–	**–**	–	**(180)**	437
–	–	**–**	–	**317**	240
–	–	**–**	–	**(497)**	197
(399)	294	**53**	(44)	**(42)**	22
43	(73)	**6**	(2)	**(16)**	24
(96)	(11)	**16**	2	**(26)**	(2)
(97)	6	**5**	11	**(26)**	(2)
1	(17)	**11**	(9)	**–**	–
(346)	378	**31**	(44)	**–**	–
–	1	**–**	(1)	**–**	1
–	(1 198)	**–**	–	**–**	–
–	–	**–**	–	**–**	(13)
(603)	(521)	**(9)**	(227)	**529**	1 165
(27)	1 977	**(1)**	–	**18**	833
–	–	**–**	–	**(264)**	(762)
5 501	4 045	**(607)**	(380)	**4 257**	3 021
4 871	5 501	**(617)**	(607)	**4 540**	4 257

7. **Cluster Information** (continued)

7.2 **Sanlam Emerging Markets** (continued)

Analysis of Saham (100%)

	Life business		General insurance[1]		Consolidation[2] and other		Saham total	
R million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Financial services income	**1 229**	1 038	**14 085**	12 121	**283**	–	**15 597**	13 159
Long-term insurance contracts	**1 139**	987	**–**	–	**–**	–	**1 139**	987
General insurance contracts	**–**	–	**12 248**	10 666	**–**	–	**12 248**	10 666
Investment return on insurance funds	**70**	14	**1 454**	860	**–**	–	**1 524**	874
Other	**20**	37	**383**	595	**283**	–	**686**	632
Sales remuneration	**(212)**	(176)	**(1 617)**	(1 295)	**–**	–	**(1 829)**	(1 471)
Underwriting policy benefits	**(376)**	(553)	**(7 757)**	(6 559)	**–**	–	**(8 133)**	(7 112)
Administration costs	**(468)**	(369)	**(2 947)**	(2 699)	**(460)**	(153)	**(3 875)**	(3 221)
Gross result from Financial services	**173**	(60)	**1 764**	1 568	**(177)**	(153)	**1 760**	1 355
Tax	**(61)**	6	**(504)**	(306)	**17**	15	**(548)**	(285)
Profit after tax	**112**	(54)	**1 260**	1 262	**(160)**	(138)	**1 212**	1 070
Non-controlling interest	**(38)**	24	**(354)**	(338)	**(6)**	(10)	**(398)**	(324)
Net result from financial services	**74**	(30)	**906**	924	**(166)**	(148)	**814**	746
Net investment return on shareholders' funds	**(101)**	42	**(108)**	(4)	**(2)**	(26)	**(211)**	12
Amortisation of intangibles	**(5)**	(7)	**(24)**	(34)	**(10)**	(15)	**(39)**	(56)
Foreign currency translation differences	**–**	(1)	**(76)**	(100)	**(40)**	(23)	**(116)**	(124)
Attributable Earnings	**(32)**	4	**698**	786	**(218)**	(212)	**448**	578

[1] *General insurance includes the following lines of business: namely, general insurance, health, property, reinsurance and Elite broker company.*

[2] *Consolidation and other includes the following: central corporate costs, withholding tax incurred by holding companies in the structure and Netis group.*

Statement of financial position at 31 December 2019 – SAN JV/Saham consolidated

R million	2019	2018[1]
Assets	**59 209**	61 459
Equipment	**525**	521
Right-of-use assets	**74**	–
Owner-occupied properties	**830**	1 011
Goodwill	**14 106**	16 563
Value of business acquired	**5 439**	6 572
Other intangible assets	**542**	629
Deferred acquisition costs	**265**	130
Investments	**19 511**	19 610
Investment properties	**6 023**	6 251
Equity-accounted investments	**7**	229
Equities and similar securities	**7 017**	2 537
Interest-bearing investments	**1 748**	2 202
Investment funds	**4 143**	7 655
Cash, deposits and similar securities	**573**	736
Deferred tax	**669**	628
General insurance technical assets	**2 281**	2 088
Working capital assets	**14 967**	13 707
Trade and other receivables	**9 584**	8 155
Cash, deposits and similar securities	**4 596**	4 633
Taxation	**787**	919
Liabilities	**29 218**	28 374
Term finance	**534**	417
Lease liabilities	**76**	–
Deferred tax	**3 220**	3 638
General insurance technical provisions	**16 843**	16 121
Working capital liabilities	**8 545**	8 198
Trade and other payables	**7 410**	7 056
Provisions	**152**	131
Taxation	**983**	1 011
Net asset value	**29 991**	33 085
Non-controlling interest	**4 848**	4 924
Shareholders' fund	**25 143**	28 161

[1] *Comparatives have been adjusted for the reallocation of value of business acquired to goodwill, amounting to R407 million. Refer to note 4 of the Sanlam Annual Financial Statements online for additional information.*

7. Cluster Information (continued)

7.3 Sanlam Investment Group

Analysis of net result from financial services

R million	Investment Management SA 2019	Investment Management SA 2018	Wealth Management 2019	Wealth Management 2018
Financial services income[1]	**2 020**	1 995	**862**	808
Sales remuneration	**–**	–	**–**	–
Income after sales remuneration	**2 020**	1 995	**862**	808
Administration cost[1]	**(1 616)**	(1 655)	**(679)**	(638)
Result from financial services before performance fees	**404**	340	**183**	170
Net performance fees[1]	**104**	21	**3**	–
Gross result from financial services	**508**	361	**186**	170
Tax on result from financial services	**(138)**	(105)	**(56)**	(45)
Non-controlling interest	**(37)**	2	**–**	–
Net result from financial services	**333**	258	**130**	125
Covered	**–**	–	**–**	–
Non covered	**333**	258	**130**	125
Net investment return	**(22)**	(42)	**(5)**	(2)
Covered	**–**	–	**–**	–
Non covered	**(22)**	(42)	**(5)**	(2)
Project expenses	**(37)**	(42)	**–**	–
Net operational earnings	**274**	174	**125**	123
Amortisation of intangible assets	**(19)**	(21)	**(20)**	(11)
Profit on disposal of associates	**–**	–	**–**	–
Other	**–**	(31)	**–**	–
Normalised attributable earnings	**255**	122	**105**	112

(1) *Financial services income and administration costs on page 184 include performance fees and the related administration costs.*

International		Sanfin		Consolidation		Total	
2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
2 701	2 538	**1 090**	1 029	**(46)**	(48)	**6 627**	6 322
(547)	(408)	**–**	–	**–**	–	**(547)**	(408)
2 154	2 130	**1 090**	1 029	**(46)**	(48)	**6 080**	5 914
(1 791)	(1 608)	**(585)**	(544)	**46**	48	**(4 625)**	(4 397)
363	522	**505**	485	**–**	–	**1 455**	1 517
(8)	(7)	**5**	11	**–**	–	**104**	25
355	515	**510**	496	**–**	–	**1 559**	1 542
(66)	(44)	**(132)**	(132)	**–**	–	**(392)**	(326)
(60)	(66)	**–**	–	**–**	–	**(97)**	(64)
229	405	**378**	364	**–**	–	**1 070**	1 152
75	99	**173**	208	**–**	–	**248**	307
154	306	**205**	156	**–**	–	**822**	845
39	4	**123**	76	**–**	–	**135**	36
5	(2)	**126**	82	**–**	–	**131**	80
34	6	**(3)**	(6)	**–**	–	**4**	(44)
(2)	(14)	**–**	–	**–**	–	**(39)**	(56)
266	395	**501**	440	**–**	–	**1 166**	1 132
(172)	(94)	**–**	–	**–**	–	**(211)**	(126)
1	718	**–**	–	**–**	–	**1**	718
(5)	–	**–**	–	**–**	–	**(5)**	(31)
90	1 019	**501**	440	**–**	–	**951**	1 693

7. Cluster information (continued)

7.3 Sanlam Investment Group (continued)

Analysis of change in GEV – covered business

R million	Total 2019	Total 2018	Value of in-force 2019	Value of in-force 2018	Cost of capital 2019	Cost of capital 2018	Net asset value 2019	Net asset value 2018
Operational earnings	**148**	154	**(23)**	(60)	**(60)**	(82)	**231**	296
Value of new life insurance business	**–**	–	**52**	53	**(6)**	(7)	**(46)**	(46)
Unwinding of discount rate	**72**	86	**42**	52	**30**	34	**–**	–
Expected profit	**–**	–	**(113)**	(124)	**–**	–	**113**	124
Operating experience variances	**141**	141	**(10)**	(6)	**(19)**	(24)	**170**	171
Risk experience	**16**	6	**(1)**	(1)	**–**	–	**17**	7
Persistency	**–**	4	**1**	6	**(1)**	(2)	**–**	–
Maintenance expenses	**(10)**	(6)	**–**	–	**–**	–	**(10)**	(6)
Credit spread	**172**	201	**–**	–	**–**	–	**172**	201
Other	**(37)**	(64)	**(10)**	(11)	**(18)**	(22)	**(9)**	(31)
Operating assumption changes	**(65)**	(73)	**6**	(35)	**(65)**	(85)	**(6)**	47
Risk experience	**9**	46	**(2)**	(12)	**–**	2	**11**	56
Persistency	**6**	5	**9**	11	**(3)**	(6)	**–**	–
Maintenance expenses	**(40)**	(44)	**(33)**	(35)	**–**	–	**(7)**	(9)
Modelling changes and other	**(40)**	(80)	**32**	1	**(62)**	(81)	**(10)**	–
Net investment return	**135**	128	**–**	–	**–**	–	**135**	128
Expected return on adjusted net asset value	**178**	146	**–**	–	**–**	–	**178**	146
Investment variances on adjusted net asset value	**(43)**	(18)	**–**	–	**–**	–	**(43)**	(18)
Valuation and economic basis	**76**	23	**58**	13	**1**	(1)	**17**	11
Investment variances on in-force business	**44**	(70)	**44**	(69)	**–**	(1)	**–**	–
Economic assumption changes	**25**	34	**5**	9	**3**	14	**17**	11
Investment yields	**40**	34	**5**	9	**34**	14	**1**	11
Long-term asset mix assumptions and other	**(15)**	–	**–**	–	**(31)**	–	**16**	–
Foreign currency translation differences	**7**	59	**9**	73	**(2)**	(14)	**–**	–
GEV earnings: covered business	**359**	305	**35**	(47)	**(59)**	(83)	**383**	435
Transfers from/(to) other covered business Group operations	**231**	42	**–**	–	**(123)**	–	**354**	42
Transfers from covered business	**(331)**	(318)	**–**	–	**–**	–	**(331)**	(318)
Embedded value of covered business at the beginning of the year	**2 797**	2 768	**781**	828	**(787)**	(704)	**2 803**	2 644
Embedded value of covered business at the end of the year	**3 056**	2 797	**816**	781	**(969)**	(787)	**3 209**	2 803

Assets under management

R million	Assets under management 2019	Assets under management 2018	Fee income (%) 2019	Fee income (%) 2018	Administration cost (%) 2019	Administration cost (%) 2018
Investment Management SA[1]	**663 705**	595 616	**0,31**	0,30	**0,22**	0,22
Wealth Management	**80 738**	72 885	**1,12**	1,11	**0,88**	0,88
International	**152 717**	128 950	**1,30**	1,50	**1,10**	1,15
Intra-cluster eliminations	**(39 314)**	(38 646)				
Asset management operations	**857 846**	758 805				
Covered business	**85 746**	81 631				
Sanlam UK	**51 668**	47 283				
Central Credit Manager	**34 078**	34 348				
Assets under management	**943 592**	840 436				

(1) *Includes Sanlam assets of R215,4 billion (2018: R194,4 billion).*

Asset mix of assets under management

R million	Fixed Interest	Equities	Offshore	Properties	Cash	Total
2019						
Investment Management SA	**111 329**	**311 003**	**93 332**	**37 692**	**110 349**	**663 705**
Wealth Management	**–**	**46 163**	**32 666**	**–**	**1 909**	**80 738**
International	**–**	**–**	**152 717**	**–**	**–**	**152 717**
Intra-cluster consolidation						**(39 314)**
Assets under management – Asset management	**111 329**	**357 166**	**278 715**	**37 692**	**112 258**	**857 846**
2018						
Investment Management SA	109 268	281 819	77 826	25 350	101 353	595 616
Wealth Management	–	41 604	27 288	–	3 993	72 885
International	–	–	128 950	–	–	128 950
Intra-cluster consolidation						(38 646)
Assets under management – Asset management	109 268	323 423	234 064	25 350	105 346	758 805

7. Cluster information (continued)

7.4 Santam

R million	2019	2018
Business volumes		
Gross written premiums	35 852	33 109
Net earned premiums	24 227	22 812
Net fund flows	9 146	8 986

Insurance activities

	Gross written premiums		Underwriting result	
R million	2019	2018	2019	2018
Conventional insurance				
Motor	13 340	12 801	1 201	1 176
Property	10 974	10 031	212	519
Engineering	1 601	1 335	312	296
Liability	1 310	1 250	159	(20)
Transportation	762	721	50	29
Accident and health	585	535	24	82
Guarantee	246	301	(58)	(69)
Other	907	737	(80)	53
Alternative risk (ART)	6 127	5 398	62	31
Total	35 852	33 109	1 882	2 097

Ratios (%)	2019	2018
Administration cost ratio[(1)]	17,7	18,1
Claims ratio[(1)]	62,1	60,3
Underwriting margin[(1)]	7,7	9,2
Investment return on insurance funds margin[(1)]	2,4	2,4

R million	2019	2018
Conventional Insurance		
Net earned premiums	23 673	22 370
Net claims incurred	(14 711)	(13 499)
Net commission	(2 950)	(2 764)
Management expenses	(4 192)	(4 042)
Underwriting result: Conventional insurance	1 820	2 065
Investment return on insurance funds	579	532
Net insurance result	2 399	2 597
Net other income:	173	97
Alternative Risk[(2)]	171	97
Other	2	–
Strategic participations	483	284
Saham[(3)]	162	157
SEM target shares[(4)]	321	127
Santam BEE cost	(3)	–
Gross result from financial services	3 052	2 978
Tax and non-controlling interest	(1 835)	(1 782)
Net result from financial services	1 217	1 196

(1) *Ratios are calculated as a percentage of net earned premiums for the conventional business. Comparatives have been adjusted.*
(2) *Includes operating income and expenses relating to ART business.*
(3) *Includes SEM cluster cost allocation of R14 million (2018: R36 million).*
(4) *Certain holdings within the target share portfolio have been reduced from 35% to 10% effective 1 January 2019. (India and Malaysia shareholding remains unchanged.)*

7.5 Sanlam Corporate

Sanlam Employee Benefits

R million	Life business 2019	Life business 2018	Investment business 2019	Investment business 2018	Total 2019	Total 2018
New business volumes	**8 790**	10 074	**6 448**	3 252	**15 238**	13 326
Recurring premiums	**1 045**	888	**95**	–	**1 140**	888
Guaranteed	**689**	520	**–**	–	**689**	520
Risk	**356**	368	**–**	–	**356**	368
Other	**–**	–	**95**	–	**95**	–
Single premiums	**7 745**	9 186	**6 353**	3 252	**14 098**	12 438
Guaranteed	**3 007**	3 559	**–**	–	**3 007**	3 559
Risk	**–**	11	**–**	–	**–**	11
Retirement	**2 874**	2 578	**–**	–	**2 874**	2 578
Annuity	**498**	219	**–**	–	**498**	219
Special structures	**1 366**	2 819	**–**	–	**1 366**	2 819
Other	**–**	–	**6 353**	3 252	**6 353**	3 252

Analysis of earnings

R million	Life business 2019	Life business 2018	Non-life operations 2019	Non-life operations 2018	Total 2019	Total 2018
Net result from financial services	**517**	467	**73**	113	**590**	580
Sanlam Employee Benefits	**478**	428	**–**	–	**478**	428
ACA Employee Benefits	**39**	39	**–**	–	**39**	39
Healthcare and other	**–**	–	**73**	113	**73**	113
Net investment return	**101**	70	**3**	–	**104**	70
Net investment income	**55**	81	**–**	–	**55**	81
Net investment surpluses	**46**	(11)	**3**	–	**49**	(11)
Net non-operational equity-accounted earnings	**(20)**	(15)	**11**	7	**(9)**	(8)
Net other earnings	**–**	–	**(23)**	(5)	**(23)**	(5)
Normalised attributable earnings	**598**	522	**64**	115	**662**	637

7. Cluster information (continued)

7.5 Sanlam Corporate (continued)

Analysis of change in GEV – covered business

	Total		Value of in-force		Cost of capital		Net asset value	
R million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Operational earnings	**971**	843	**499**	227	**(41)**	184	**513**	432
Value of new life insurance business	**174**	143	**334**	285	**(57)**	(55)	**(103)**	(87)
Unwinding of discount rate	**424**	420	**400**	393	**24**	27	**–**	–
Expected profit	**–**	–	**(491)**	(485)	**–**	–	**491**	485
Operating experience variances	**260**	268	**148**	(9)	**(44)**	106	**156**	171
Risk experience	**(35)**	(96)	**(18)**	(18)	**1**	1	**(18)**	(79)
Persistency	**135**	89	**174**	83	**(47)**	7	**8**	(1)
Maintenance expenses	**9**	(5)	**–**	–	**–**	–	**9**	(5)
Working capital management	**90**	67	**–**	–	**–**	–	**90**	67
Credit spread	**34**	84	**–**	–	**–**	–	**34**	84
Other	**27**	129	**(8)**	(74)	**2**	98	**33**	105
Operating assumption changes	**113**	12	**108**	43	**36**	106	**(31)**	(137)
Risk experience	**–**	(181)	**–**	(85)	**–**	(4)	**–**	(92)
Persistency	**(7)**	–	**(7)**	–	**–**	–	**–**	–
Maintenance expenses	**61**	(20)	**81**	54	**–**	(2)	**(20)**	(72)
Modelling changes and other	**59**	213	**34**	74	**36**	112	**(11)**	27
Net investment return	**101**	69	**–**	–	**–**	–	**101**	69
Expected return on adjusted net asset value	**148**	181	**–**	–	**–**	–	**148**	181
Investment variances on adjusted net asset value	**(47)**	(112)	**–**	–	**–**	–	**(47)**	(112)
Valuation and economic basis	**(10)**	(73)	**18**	(157)	**(32)**	49	**4**	35
Investment variances on in-force business	**87**	(26)	**86**	(86)	**(3)**	25	**4**	35
Economic assumption changes	**(97)**	(47)	**(68)**	(71)	**(29)**	24	**–**	–
Investment yields	**(66)**	(46)	**(71)**	(69)	**5**	23	**–**	–
Long-term asset mix assumptions and other	**(31)**	(1)	**3**	(2)	**(34)**	1	**–**	–
GEV earnings: covered business	**1 062**	839	**517**	70	**(73)**	233	**618**	536
Acquired value of in-force	**–**	288	**–**	241	**–**	–	**–**	47
Transfers from/(to) other Group operations	**(231)**	(219)	**–**	–	**123**	–	**(354)**	(219)
Transfers from covered business	**(572)**	(1 114)	**–**	–	**–**	–	**(572)**	(1 114)
Embedded value of covered business at the beginning of the year	**5 077**	5 283	**3 376**	3 065	**(666)**	(899)	**2 367**	3 117
Embedded value of covered business at the end of the year	**5 336**	5 077	**3 893**	3 376	**(616)**	(666)	**2 059**	2 367

7.6 Group office
Analysis of earnings

	Group office and other		Consolidation[1]		Total	
R million	2019	2018	2019	2018	2019	2018
Financial services income	162	156	(532)	–	(370)	156
Administration cost	(302)	(321)	–	–	(302)	(321)
Results from financial services	(140)	(165)	(532)	–	(672)	(165)
Tax on result from financial services	40	56	174	–	214	56
Non-controlling interest	–	–	358	–	358	–
Net result from financial services	(100)	(109)	–	–	(100)	(109)
Net investment income	232	(43)	–	–	232	(43)
Net investment surpluses	(10)	(39)	–	–	(10)	(39)
Project expenses	–	(6)	–	–	–	(6)
Net operational earnings	122	(197)	–	–	122	(197)
Net equity participation costs	(594)	–	–	–	(594)	–
Normalised attributable earnings	(472)	(197)	–	–	(472)	(197)

[1] *Includes the consolidation entries relating to SEM target shares and Saham included within the Santam results. Comparatives have not been adjusted.*

8. Value of other Group operations sensitivity analysis

8.1 Investment in associated companies

R million	2019	2018
Shriram Capital	7 381	7 132
Shriram Transport Finance Company – direct investment	1 497	1 422
Shriram General Insurance – direct investment	1 150	1 008
Shriram Life Insurance – direct investment	501	495
Pacific & Orient	503	651
Capricorn Investment Holdings	1 097	1 123
Letshego	1 522	1 494
Afrocentric	1 043	931
Other associated companies	1 996	2 065
Total investment in associated companies	**16 690**	16 321

Details of the investments in the material associated companies are reflected in note 8.2.3 on page 81 of the Sanlam Annual Financial Statements online.

8.2 Investment in joint ventures

R million	2019	2018
Sanlam Personal Loans	811	819
Other joint ventures	201	64
Total investment in joint ventures	**1 012**	883

Details of the investments in the material joint ventures are reflected in note 8.2.4 on page 85 of the Sanlam Annual Financial Statements online.

8.3 Investments include the following offshore investments

R million	2019	2018
Investment properties	6 828	7 121
Equities	9 023	4 875
Structured transactions	9	–
Interest-bearing investments	4 626	5 575
Investment funds	5 648	8 821
Cash, deposits and similar securities	2 869	2 959
Total offshore investments	**29 003**	29 351

9. Financial services income

R million	2019	2018
Equity-accounted earnings included in financial services income		
Sanlam Personal Finance	240	280
Sanlam Emerging Markets	3 047	2 784
Santam	483	284
Sanlam Investment Group	159	56
Sanlam Corporate	166	160
	4 095	3 564

10. Sales remuneration

R million	2019	2018
Life business	4 934	4 631
Non-life operations	5 647	3 381
	10 581	8 012

11. Administration costs

R million	2019	2018
Life business	9 059	7 976
Non-life operations	14 419	11 144
	23 478	19 120
Depreciation included in administration costs:		
Sanlam Personal Finance	318	132
Sanlam Emerging Markets	320	86
Santam	257	103
Sanlam Investment Group	107	35
Sanlam Corporate	15	1
	1 017	357

12. Investment Income

R million	2019	2018
Equities and similar securities	915	327
Interest-bearing, preference shares and similar securities	444	682
Properties	37	14
Rental income	49	23
Rental-related expenses	(12)	(9)
Total investment income	1 396	1 023
Interest expense netted off against investment income	974	949

13. Normalised diluted earnings per share

Cents	2019	2018
Normalised diluted earnings per share		
Net result from financial services	**438,0**	423,6
Operational earnings	**488,9**	450,5
Profit attributable to shareholders' fund	**412,5**	548,9

R million	2019	2018
Analysis of operational earnings (refer shareholders' fund income statement on page 184):		
Net result from financial services	**9 674**	8 890
Operational earnings	**10 798**	9 455
Profit attributable to shareholders' fund	**9 110**	11 521
Reconciliation of operational earnings:		
Headline earnings per note 23 on page 117 of the Sanlam Annual Financial Statements online	**7 481**	9 162
Add/(less):	**3 317**	293
Fund transfers	**1 960**	(106)
Net equity-accounted earnings	**(5)**	(6)
Net amortisation of value of business acquired and other intangibles	**766**	400
Equity participation costs	**596**	5
Operational earnings	**10 798**	9 455
Adjusted number of shares:		
Weighted average number of shares for diluted earnings per share (refer note 23 on page 117 of the Sanlam Annual Financial Statements online)	**2 090,0**	2 077,3
Add: Weighted average Sanlam shares held by policyholders and B-BBEE SPV	**118,5**	21,5
Adjusted weighted average number of shares for normalised diluted earnings per share	**2 208,5**	2 098,8

14. Value per share

R million	2019	2018
Net asset value per share is calculated on the Group shareholders' fund at net asset value of R76 512 million (2018: R70 375 million), divided by 2226,2 million (2018: 2115,3 million) shares.		
Equity value per share is calculated based on the Group Equity Value of R143 271 million (2018: R134 052 million), divided by 2226,2 million (2018: 2115,3 million) shares.		
Number of shares for value per share		
Number of ordinary shares in issue	**2 343,3**	2 232,0
Shares held by subsidiaries in shareholders' fund	**(139,2)**	(137,7)
Outstanding shares in respect of Sanlam Limited long-term incentive schemes	**22,1**	21,0
Adjusted number of shares for value per share	**2 226,2**	2 115,3

15. Present value of holding company expenses

The present value of holding company expenses has been calculated by applying a multiple of 8,8 (2018: 8,9) to the after tax recurring corporate expenses.

16. Shares issued

During 2019, Sanlam Limited issued 111 349 000 shares at a price of R70 per share. The shares issued represent approximately 5,0% of the Company's issued ordinary share capital of 2 231 989 047 prior to the issuance.

17. Shares repurchases

Sanlam shareholders granted general authorities to the Group at the 2019 and 2018 annual general meetings to repurchase Sanlam shares in the market. The Group did not acquire any shares in 2019.

18. Reconciliations

18.1 Reconciliation between Group statement of comprehensive income and shareholders' fund income statement

	2019			
R million	Total	Shareholder activities	Policyholder activities[1]	IFRS adjustments[2]
Net income	147 796	86 263	58 952	2 581
Financial services income	95 520	84 250	–	11 270
Reinsurance premiums paid	(15 893)	–	–	(15 893)
Reinsurance commission received	2 676	–	–	2 676
Investment income	33 003	1 396	22 595	9 012
Investment surpluses	43 064	617	36 357	6 090
Finance cost – margin business	(242)	–	–	(242)
Change in fair value of external investors liability	(10 332)	–	–	(10 332)
Net insurance and investment contract benefits and claims	(91 526)	(34 075)	(57 458)	7
Long-term insurance contract benefits	(30 802)	(11 304)	(17 952)	(1 546)
Long-term investment contract benefits	(39 506)	–	(39 506)	–
General insurance claims	(29 646)	(22 771)	–	(6 875)
Reinsurance claims received	8 428	–	–	8 428
Expenses	(41 051)	(34 785)	–	(6 266)
Sales remuneration	(13 246)	(10 581)	–	(2 665)
Administration costs	(27 805)	(24 204)	–	(3 601)
Impairments	(742)	(339)	–	(403)
Amortisation of intangibles	(1 405)	(766)	–	(639)
Net operating result	13 072	16 298	1 494	(4 720)
Equity-accounted earnings	2 989	27	–	2 962
Finance cost – other	(1 500)	–	–	(1 500)
Profit before tax	14 561	16 325	1 494	(3 258)
Tax expense	(5 756)	(5 183)	(1 494)	921
Shareholders' fund	(4 017)	(5 183)	–	1 166
Policyholders' fund	(1 739)	–	(1 494)	(245)
Profit from continuing operations	8 805	11 142	–	(2 337)
Profit for the year	8 805	11 142	–	(2 337)
Attributable to:				
Shareholders' fund	7 150	9 110	–	(1 960)
Non-controlling interest	1 655	2 032	–	(377)
	8 805	11 142	–	(2 337)

(1) *Policyholder activities relate to the inclusion of policyholders' after-tax investment return, and the allocation thereof to policy liabilities, in the Group Statement of Comprehensive Income.*
(2) *IFRS adjustments relate to amounts that have been set off in the shareholders' fund income statement that is not permitted in terms of IFRS, and fund transfers relating to investments in treasury shares and subsidiaries held by the policyholders' fund.*

2018			
Total	Shareholder activities	Policyholder activities(1)	IFRS adjustments(2)
77 721	70 854	5 081	1 786
73 619	66 529	–	7 090
(11 262)	–	–	(11 262)
2 166	–	–	2 166
31 208	1 023	21 369	8 816
(16 447)	3 302	(16 288)	(3 461)
(164)	–	–	(164)
(1 399)	–	–	(1 399)
(29 524)	(24 853)	(4 677)	6
(18 566)	(11 026)	(7 676)	136
2 999	–	2 999	–
(20 662)	(13 827)	–	(6 835)
6 705	–	–	6 705
(31 701)	(27 273)	–	(4 428)
(10 139)	(8 012)	–	(2 127)
(21 562)	(19 261)	–	(2 301)
(449)	(305)	–	(144)
(659)	(400)	–	(259)
15 388	18 023	404	(3 039)
2 424	15	–	2 409
(846)	–	–	(846)
16 966	18 038	404	(1 476)
(4 164)	(4 660)	(404)	900
(3 510)	(4 660)	–	1 150
(654)	–	(404)	(250)
12 802	13 378	–	(576)
12 802	13 378	–	(576)
11 627	11 521	–	106
1 175	1 857	–	(682)
12 802	13 378	–	(576)

18. Reconciliations

18.2 Reconciliation between Group statement of financial position and shareholders' fund at net asset value

	2019			
R million	Total	Shareholder activities	Policyholder activities[1]	Consolidation reserve
Assets				
Equipment	1 655	1 533	122	–
Rights-of-use assets	1 912	1 852	60	–
Owner-occupied properties	1 794	1 683	111	–
Goodwill	18 974	18 974	–	–
Value of business acquired	8 768	8 768	–	–
Other intangible assets	926	926	–	–
Deferred acquisition costs	3 505	2 865	640	–
Long-term reinsurance assets	2 042	–	2 042	–
Investments	770 995	83 686	697 145	(9 836)
Properties	21 565	6 815	14 750	–
Associated companies	16 690	16 690	–	–
Joint ventures	1 992	1 012	980	–
Equities and similar securities	201 501	14 775	196 562	(9 836)
Interest-bearing investments	234 509	19 640	214 869	–
Structured transactions	23 090	728	22 362	–
Investment funds	222 141	20 442	201 699	–
Cash, deposits and similar securities	49 507	3 584	45 923	–
Deferred tax	1 872	1 231	–	641
Assets of disposal groups classified as held for sale	159	127	32	–
General insurance technical assets	10 166	10 166	–	–
Working capital assets	77 461	58 026	19 435	–
Trade and other receivables	46 180	32 033	14 147	–
Taxation	912	867	45	
Cash, deposits and similar securities	30 369	25 126	5 243	–
Total assets	900 229	189 837	719 587	(9 195)
Equity and liabilities				
Shareholders' fund	67 317	76 512	–	(9 195)
Non-controlling interest	12 043	12 027	16	–
Long-term policy liabilities	591 168	–	591 168	–
Insurance contracts	189 687	–	189 687	–
Investment contracts	401 481	–	401 481	–
Term finance	11 187	7 474	3 713	–
Lease liabilities	2 110	2 049	61	–
Structured transactions liabilities	19 272	58	19 214	–
External investors in consolidated funds	85 187	–	85 187	–
Cell owners' interest	3 935	3 935	–	–
Deferred tax	5 766	4 626	1 140	–
General insurance technical provisions	41 332	41 332	–	–
Working capital liabilities	60 912	41 824	19 088	–
Trade and other payables	58 062	39 599	18 463	–
Provisions	523	496	27	–
Taxation	2 327	1 729	598	–
Total equity and liabilities	900 229	189 837	719 587	(9 195)

[1] *Includes the impact of IFRS adjustments.*
[2] *Comparatives have been adjusted for the reallocation of value of business acquired to goodwill, amounting to R407 million. Refer to note 4 of the Sanlam Annual Financial Statements online for additional information.*

2018[2]			
Total	Shareholder activities	Policyholder activities[1]	Consolidation reserve
1 587	1 480	107	–
–	–	–	–
2 010	1 862	148	–
20 392	20 392	–	–
9 553	9 110	443	–
1 082	1 082	–	–
3 446	2 816	630	–
1 971	–	1 971	–
690 744	74 647	617 976	(1 879)
21 349	7 122	14 227	–
16 321	16 321	–	–
2 040	883	1 157	–
184 787	5 188	181 478	(1 879)
211 770	18 831	192 939	–
21 341	1 138	20 203	–
190 005	20 844	169 161	–
43 131	4 320	38 811	–
2 249	1 239	–	1 010
139	138	1	–
9 540	9 540	–	–
72 863	55 497	17 366	–
43 653	31 454	12 199	–
1 059	996	63	
28 151	23 047	5 104	–
815 576	177 803	638 642	(869)
69 506	70 375	–	(869)
12 111	11 599	512	–
543 785	–	543 785	–
188 448	–	188 448	–
355 337	–	355 337	–
7 413	7 300	113	–
–	–	–	–
15 629	24	15 605	–
66 146	–	66 146	–
3 305	3 305	–	–
5 352	4 912	440	–
38 033	38 033	–	–
54 296	42 255	12 041	–
50 761	39 287	11 474	–
450	426	24	–
3 085	2 542	543	–
815 576	177 803	638 642	(869)

19. Geographical analysis

R million	Per shareholders fund' income statement on page 184	IFRS adjustments (refer note 18.1)	Total
Financial services income			
Financial services income is attributed to individual countries, based on where the holding company or subsidiaries are located.			
2019	**84 250**	**11 270**	**95 520**
South Africa	**55 020**	**11 075**	**66 095**
Other African operations	**22 941**	**2 238**	**25 179**
Other international[1]	**6 289**	**(2 043)**	**4 246**
2018	66 529	7 090	73 619
South Africa[2]	51 420	8 481	59 901
Other African operations	10 418	(505)	9 913
Other international[1]	4 691	(886)	3 805

R million	Per analysis of shareholders' fund on page 182	Policy-holders' fund	Total
Non-current assets[2]			
2019	**36 728**	**965**	**37 693**
South Africa	**24 767**	**456**	**25 223**
Other African operations	**7 606**	**250**	**7 856**
Other international[1]	**4 355**	**259**	**4 614**
2018[3]	36 880	1 329	38 209
South Africa	26 741	448	27 189
Other African operations	7 203	242	7 445
Other international[1]	2 936	639	3 575

R million	2019	2018
Attributable earnings (per shareholders' fund income statement on page 184)	**7 150**	11 627
South Africa	**4 150**	8 319
Other African operations	**1 519**	2 158
Other international[1]	**1 481**	1 150

(1) *Other international comprises businesses in the Europe, United Kingdom, Australia, India, Malaysia and Lebanon.*
(2) *Non-current assets include property and equipment, owner-occupied properties, goodwill, value of business acquired right-of-use assets, other intangible assets, non-current assets held for sale and deferred acquisition costs.*
(3) *Comparatives have been adjusted for the reallocation of value of business acquired to goodwill, amounting to R407 million. Refer to note 4 of the Sanlam Annual Financial Statements online for additional information.*

FIVE-YEAR REVIEW

		2019	2018	2017	2016	2015	Average annual growth rate %
GROUP EQUITY VALUE							
Group Equity Value	R million	**143 271**	134 052	121 763	110 717	103 506	7%
Group Equity Value	cps	**6 436**	6 341	5 940	5 407	5 057	6%
Return on Group Equity Value per share	%	**6,4**	11,6	14,8	11,8	12,8	
BUSINESS VOLUMES							
New business volumes	R million	**249 323**	223 029	221 172	225 339	205 391	5%
Life business		**53 927**	53 815	44 615	43 599	39 976	8%
Investment business		**155 565**	136 529	149 000	157 901	145 219	2%
General insurance		**39 831**	32 685	27 557	23 839	20 196	19%
Recurring premiums on existing business	R million	**39 947**	34 527	31 571	29 239	27 348	10%
Total inflows	R million	**289 270**	257 556	252 743	254 578	232 739	
Net fund flows	R million	**56 766**	41 539	37 143	42 535	21 753	28%
SIM funds under management	R billion	**858**	758	733	792	787	2%
New covered business							
Value of new covered business	R million	**2 545**	2 187	2 008	1 779	1 514	14%
Covered business PVNBP	R million	**81 560**	78 085	65 377	62 383	54 362	11%
New covered business margin	%	**3,12**	2,80	3,07	2,85	2,79	
EARNINGS							
Gross result from financial services	R million	**16 116**	14 544	13 558	12 678	11 595	9%
Net result from financial services	R million	**9 674**	8 890	8 549	7 969	7 269	7%
Net operational earnings	R million	**10 798**	9 455	10 060	8 580	9 168	0%
Headline earnings	R million	**7 481**	9 162	9 757	9 860	9 300	(5%)
Net result from financial services	cps	**438,0**	423,6	417,2	389,4	355,2	5%
Net operational earnings per share	cps	**488,9**	450,5	490,9	419,3	448,0	2%
Diluted headline earnings	cps	**357,9**	441,3	481,3	488,1	437,0	(5%)
Group operating margin	%	**21,9**	24,9	26,3	26,6	26,7	(5%)
OTHER							
Sanlam share price	cps	**7 910**	7 980	8 700	6 290	6 054	7%
Dividend	cps	**335**	312	290	268	245	8%
Sanlam Life Insurance Limited							
Shareholders' fund	R million	**110 729**	108 177	93 376	83 866	77 970	9%
SCR(1)	R million	**47 809**	44 853	38 113			
SCR cover	%	**253**	264	274			
SAM cover ratio(1)	%	**206**	221	233			

FIVE-YEAR REVIEW (continued)

		2019	2018	2017	2016	2015	Average annual growth rate %
Foreign exchange rates							
Closing rate							
Euro		**15,70**	16,44	14,87	14,43	16,83	(2%)
British pound		**18,52**	18,32	16,75	16,92	22,83	(5%)
United States dollar		**13,98**	14,39	12,38	13,68	15,48	(3%)
Moroccan dirham		**1,49**	1,51	1,33	1,36	n/a	6%
Indian rupee		**0,20**	0,21	0,19	0,20	0,24	(4%)
Average rate							
Euro		**16,16**	15,57	14,50	16,22	14,08	4%
British pound		**18,42**	17,60	16,61	19,69	19,39	(1%)
United States dollar		**14,43**	13,17	13,09	14,65	12,69	3%
Moroccan dirham		**1,52**	1,42	1,39	1,49	n/a	5%
Indian rupee		**0,21**	0,19	0,20	0,22	0,20	1%
NON-FINANCIAL[2]							
BEE credentials	level	**1**	1	2	2	2	
Corporate Social Investment spend	R million	**58**	62	93	68	74	
Office staff turnover	%	**16,50**	17,25	14,10	13,90	12,38	
Carbon footprint	Tonnes CO_2/full time employee	**8,7**	9,0	8,3	8,6	9,5	

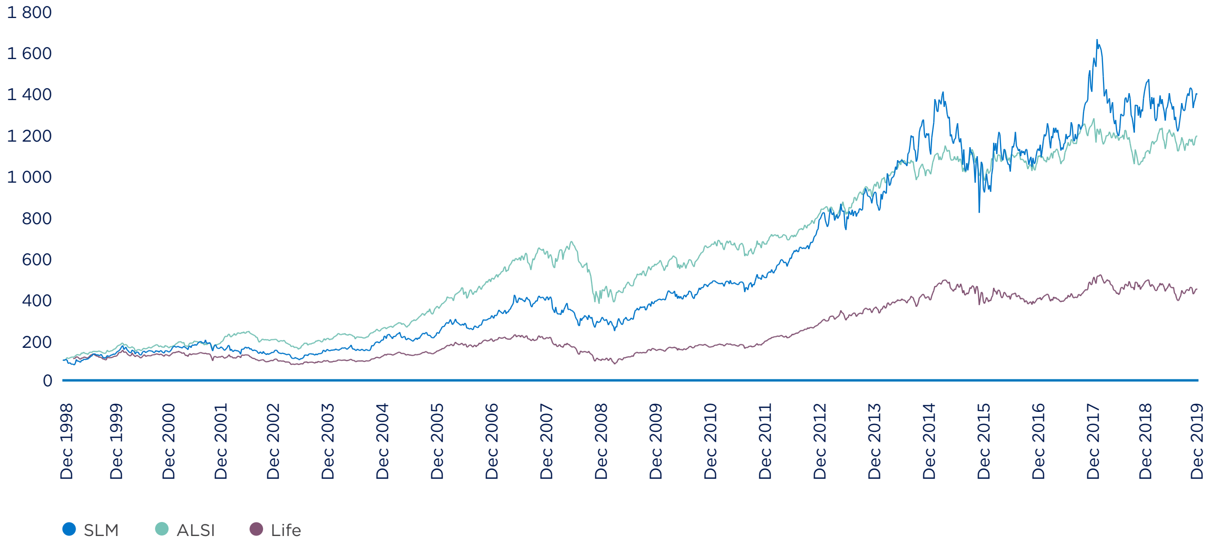
(1) *SCR is used from 2017.*
(2) *South Africa only.*

STOCK EXCHANGE PERFORMANCE

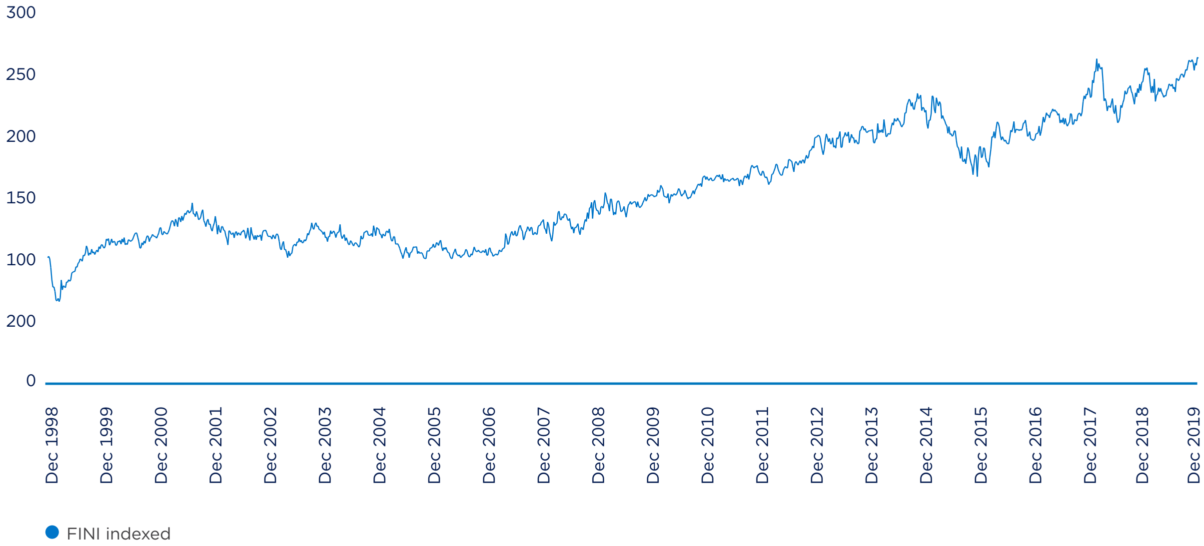
		2019	2018	2017	2016	2015	2014
Number of shares traded	million	**1 167**	1 458	1 340	1 437	1 363	1 086
Value of shares traded	R million	**90 288**	115 756	93 485	89 130	90 444	65 974
Percentage of issued shares traded	%	**50**	65	62	66	63	50
Price/earnings ratio	times	**18,6**	18,5	18,1	15,4	14,0	17,2
Return on Sanlam share price since listing[1]	%	**17**	20	20	18	19	21
Market price	cps						
– Year-end closing price		**7 910**	7 980	8 700	6 290	6 054	7 000
– Highest closing price		**8 525**	9 849	9 474	7 149	8 217	7 344
– Lowest closing price		**6 886**	6 540	6 100	5 116	4 405	4 495
Market capitalisation at year-end	R million	**185 358**	178 113	188 483	136 271	131 158	151 653

(1) *Annualised growth in the Sanlam share price since listing plus dividends paid.*

Sanlam vs ALSI vs Life Assurance Index



Sanlam share price relative to FINI (indexed)



	2013	2012	2011	2010
	1 247	1 160	1 082	1 059
	58 841	41 074	29 578	25 986
	59	55	52	50
	13,5	15,3	11,6	11,1
	20	20	17	17
	5 324	4 477	2 885	2 792
	5 518	4 550	3 016	2 829
	4 051	2 831	2 414	2 200
	111 804	94 017	60 585	58 632

ANALYSIS OF SHAREHOLDERS

on 31 December 2019

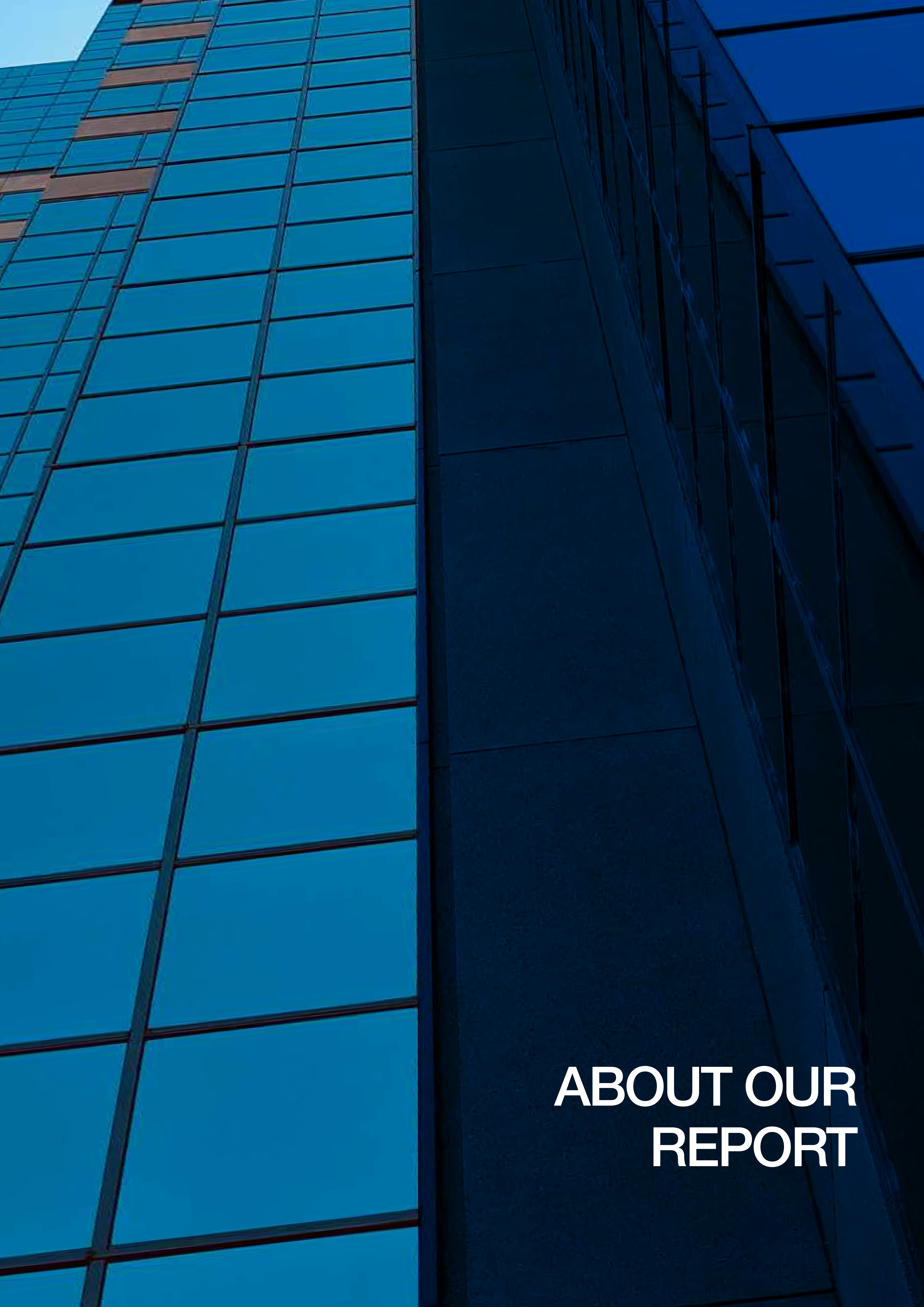
Distribution of shareholding	Total shareholders Number	Total shareholders %	Total shares held Number	Total shares held %
1 – 1 000	379 149	87,44	140 295 207	5,99
1 001 – 5 000	47 759	11,02	93 082 896	3,97
5 001 – 10 000	3 855	0,89	26 508 143	1,13
10 001 – 50 000	1 866	0,43	35 590 084	1,52
50 001 – 100 000	248	0,06	17 700 272	0,76
100 001 – 1 000 000	534	0,12	166 215 085	7,09
1 000 001 and over	165	0,04	1 863 946 360	79,54
Total	**433 576**	**100,00**	**2 343 338 047**	**100,00**

Public and non-public shareholders	% Shareholding
Public shareholders (408 647)	62,83
Non-public shareholders	
Directors' interest	0,18
Held by subsidiaries	6,81
Employee pension funds	0,03
Sanlam Limited Share Incentive Trust	0,96
SU BEE Investment (RF) (Pty) Ltd 182	4,75
Government Employees Pension Fund (PIC)	11,96
Ubuntu-Botho Investments (Pty) Ltd	12,48
Total	100,00

Beneficial shareholding of 5% or more:

- Government Employees Pension Fund (PIC) 11,96%
- Ubuntu-Botho Investments (Pty) Ltd 12,48%

Shareholder structure	% Shareholding
Institutional and other shareholding	
Offshore	37,53
South Africa	49,41
Individuals	13,06
Total	100,00



ABOUT OUR REPORT

ABOUT OUR REPORT

The 2019 Sanlam Integrated Report (the report) forms part of our annual reporting suite – a combination of targeted elements made available to our stakeholders to enable them to make informed assessments about our performance and prospects.

The purpose of this report

This Integrated Report aims to provide readers with material information and insights about our performance for the financial year from 1 January to 31 December 2019. In terms of external factors, risks and opportunities, we take a longer-term view. This enable readers to effectively assess Sanlam's value creation abilities, sustainability and prospects. Although this Integrated Report is primarily aimed at our shareholders, we take a systemic and strategic reporting approach. This is part of our commitment to transparent and relevant stakeholder reporting, and is enhanced through personal interaction and feedback.

The availability of this report

We are transitioning to fully integrated online reporting. We launched a new investor centre on the Sanlam website that contains our annual reporting suite, supplemented by additional information on sustainability, governance, shareholding and archived elements.

This allows us to update some components of our reporting suite continuously and gives readers the ability to search for specific topics.

Please visit www.sanlam.com/investorrelations.

What to note when comparing this report with previous years

The content of this report is comparable to the 2018 report in terms of the entities covered (apart from first-time consolidation of the B-BBEE SPV and newly acquired subsidiaries), the measurement methods applied, and timeframes used for financial and non-financial data.

Material matters and resilience focus areas

We continue to integrate and improve our financial and non-financial reporting. Financial resilience and prosperity remains the theme encapsulating Sanlam's material sustainability matters. We continue applying this theme, with further refinement after a consultative process with the heads of the five clusters during 2019. We also consider investor feedback and requests for information when determining the materiality of the clusters' resilience focus areas. These matters are specifically addressed in the cluster reports and in the online sustainability portal of our investor relations site.

How we compiled the report

This report (within the context of the annual reporting suite) adheres to the following regulatory requirements and reporting guidelines:

- The International Integrated Reporting Council's (IIRC's) Integrated Reporting <IR> Framework (<IR> Framework)
- King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™)[1]
- JSE Listings Requirements (JSE LR)
- The Companies Act, 71 of 2008, as amended (the Companies Act)
- International Financial Reporting Standards (IFRS)

The reliability of information

We follow a combined assurance approach to support the integrity of information. This approach comprises internal management and audit functions, and external service providers. The financial data was subject to independent assurance by EY. EY provided an audit opinion on the shareholders' information and on the Annual Financial Statements. The opinion states that these elements of the annual reporting suite comply in all material respects with the basis of accounting described in each.

How to give us feedback

Feedback on this report and the annual reporting suite is welcomed. Please contact Sanlam Investor Relations on IR@sanlam.co.za.

[1] *Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.*

The scope and boundary of this report

Sanlam Limited (Sanlam) is the holding company of the Sanlam Group of companies, which operates through several subsidiaries, associated companies and joint ventures. Sanlam Life Insurance Limited (Sanlam Life) is the largest operating subsidiary and the holding company of most of Sanlam's operations in emerging markets. Sanlam Limited and all of its subsidiaries, associated companies and joint ventures are referred to as Sanlam or the Group.

Sanlam Limited is listed on the Johannesburg Stock Exchange (JSE), with a secondary listing on the A2X and the Namibian Stock Exchange (NSX).

This report covers the activities of Sanlam in South Africa, the Rest of Africa, India, Malaysia, Lebanon and selected developed markets, with the emphasis on South African operations, which contribute 67% to net result from financial services.

All subsidiaries, joint ventures and associate companies recognised in the Annual Financial Statements are included, apart from investments in consolidated funds (collective investment schemes and similar investment funds). These are consolidated in terms of IFRS by virtue of Sanlam's shareholding, but do not form part of the Group's strategic operations.

For some non-financial metrics, only the South African operations are included, based on their relative size. The metrics to which this limitation applies are indicated where relevant.

Santam is a separately listed entity. Therefore, its employee data is not included in Group numbers; however, it is included in Financial Sector Charter (FSC) Scorecard reporting and where Group-wide programmes are discussed.

Forward looking information

This report includes comprehensive forward looking information through the disclosure of Group Equity Value (GEV) information (refer to page 163 for a detailed description of GEV). Instead of only providing limited future growth and earnings information, GEV provides a valuation of future expected earnings from Sanlam's life and non-life operations. Detailed disclosure is provided in respect of the main valuation assumptions used sensitivities to the main assumptions as well as an indication of the accuracy of assumptions used through the annual disclosure of variances between actual experience and the assumptions used in the calculation of GEV.

In this report, including the GEV disclosures, certain statements are made that are not historical facts and relate to analyses and other information based on forecasts of future results not yet determinable, relating, among others, to new business volumes, investment returns (including exchange rate fluctuations) and actuarial assumptions.

These statements may also relate to future prospects, developments and business strategies. These are forward looking statements as defined in the USA Private Securities Litigation Reform Act of 1995. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour" and 'project' and similar expressions are intended to identify such forward looking statements, but are not the exclusive means of identifying such statements. Forward looking statements involve inherent risks and uncertainties and, if one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may be different from those anticipated. Forward looking statements apply only as of the date on which they are made, and Sanlam does not undertake any obligation to update or revise any of them, whether due to new information, future events or otherwise. Any forward looking information contained in this report has not been reviewed and reported on by Sanlam's external auditor.

Sanlam Board responsibility statement

The Board of directors acknowledges its responsibility to ensure the integrity of the Sanlam Integrated Report and evaluated its preparation and presentation. In the opinion of the Board, the Integrated Report was prepared according to the IIRC's <IR> Framework and addresses the material matters pertaining to the long-term sustainability of Sanlam, and presents fairly the integrated performance of the Group and the impacts thereof.

Johan van Zyl
Chair

Ian Kirk
Group Chief Executive

APPENDIX, GLOSSARY AND ADMIN

Appendix: glossary of terms, definitions and major businesses

Technical terms and definitions

"adjusted return on Group Equity Value" or "adjusted RoGEV"	the return on Group Equity Value, excluding the impact of investment market volatility. Adjusted RoGEV is based on the actuarial investment return assumptions at the beginning of the reporting period;
"capital adequacy"	capital adequacy implies the existence of a buffer against experience worse than that assumed under the FSB's Statutory Valuation Method. The sufficiency of the buffer is measured by comparing excess of assets over liabilities for statutory reporting purposes with the statutory capital adequacy requirement. The main element in the calculation of the capital adequacy requirement is the determination of the effect of an assumed fall in asset values on the excess of assets over liabilities;
"capital portfolio" or "balanced portfolio"	the consolidated capital of the Group, excluding working capital held by Group businesses. The capital portfolio includes the required capital of covered business as well as discretionary and other capital;
"cost of capital"	cost of capital is calculated as the required capital at the valuation date less the discounted value, using a risk-adjusted discount rate, of the expected annual release of the capital over the life of the in-force business, allowing for the after-tax investment return on the expected level of capital held in each year;
"covered business"	long-term insurance business written by Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam UK and Sanlam Employee Benefits;
"embedded value of covered business " or "EV"	embedded value of covered business is an actuarially determined estimate of the value of covered business, excluding any value attributable to future new business. Embedded value of covered business consists of the required capital supporting the covered business, or adjusted net worth, plus the value of the in-force covered business less the cost of capital;
"FSB"	the Financial Services Board, the regulator of insurance companies in South Africa;
"life business"	the aggregate of life insurance business and life licence business;
"life insurance business"	products provided by the Group's long-term insurance businesses in terms of insurance and investment contracts included in the Group financial statements, but excluding life licence business;
"life licence business"	investment products provided by Sanlam Personal Finance, Sanlam Investments, Sanlam Employee Benefits and Sanlam Emerging Markets by means of a life insurance policy where there is very little or no insurance risk;
"linked policy"	a non-participating policy which is allotted units in an investment portfolio. The value of the policy at any stage is equal to the number of units multiplied by the unit price at that stage less the value of unrecouped expenses;
"market-related policy" or "contract with discretionary participating feature"	a participating policy which participates in non-vesting investment growth. This growth reflects the volatility of the market value of the underlying assets of the policy;
"new business margin"	value of new covered business as a percentage of present value of new business premiums;
"non-life business"	financial services and products provided by the Group, excluding life insurance business;
"non-life linked business"	non-life linked business comprises investment products provided by Sanlam Personal Finance's Glacier business, which is not written under a life licence;
"non-participating annuity"	a non-participating annuity is a policy that provides, in consideration for a single premium, a series of guaranteed regular benefit payments for a defined period;
"non-participating policy"	a policy that provides benefits that are fixed contractually, either in monetary terms or by linking them to the return of a particular investment portfolio, e.g. a linked or fixed-benefit policy;
"normalised headline earnings"	normalised headline earnings measure the Group's earnings, exclusive of earnings of a capital nature and fund transfers relating to the policyholders' fund's investment in Sanlam shares and Group subsidiaries. For the Sanlam Group, the only differences between normalised attributable earnings and normalised headline earnings are: • profits and losses on the disposal of subsidiaries, associated companies and joint ventures; • impairment of investments, value of business acquired and goodwill; and • the Group's share of associates' and joint ventures' non-headline earnings. Normalised headline earnings exclude the above items that are of a capital nature. Given that the Group's operations are of a financial nature, normalised headline earnings include investment surpluses earned on the investments held by the shareholders' fund, resulting in volatility in normalised headline earnings;
"PA"	the Prudential Authority, the regulator of insurance companies in South Africa;
"participating annuity"	a participating annuity is a policy that provides, in consideration for a single premium, a series of regular benefit payments for a defined period, the benefits of which are increased annually with bonuses declared;
"participating policy"	a policy that provides guaranteed benefits as well as discretionary bonuses. The declaration of such bonuses will take into account the return of a particular investment portfolio. Reversionary bonus, stable bonus, market-related and participating annuity policies are participating policies;

APPENDIX: GLOSSARY OF TERMS, DEFINITIONS AND MAJOR BUSINESSES (continued)

Technical terms and definitions

"policy"	unless the context indicates otherwise, a reference to a policy in this report means a long-term insurance or investment contract issued by the Group's life insurance subsidiaries in accordance with the applicable legislation;
"PVNBP"	present value of new business premiums from covered business;
"required capital"	the required level of capital supporting the covered business, based on the minimum regulatory capital requirements, plus an internal assessment of adjustments required for market, operational and insurance risk, as well as economic and growth considerations;
"result from financial services"	profit earned by the Group from operating activities and excludes investment return earned on the capital portfolio;
"return on Group Equity Value" or "RoGEV"	change in Group Equity Value, excluding dividends and changes in issued share capital, as a percentage of Group Equity Value at the beginning of the period;
"reversionary bonus policy"	a conventional participating policy that participates in reversionary bonuses, i.e. bonuses of which the face amounts are only payable at maturity or on earlier death or disability. The present value of such bonuses is less than their face amounts;
"SCR"	the solvency capital requirement under SAM is a risk-based measure of capital required to maintain solvency subject to a confidence level of 99,5% over a one-year period (which is equivalent to a 1-in-200 year event);
"stable bonus policy"	a participating policy under which bonuses tend to stabilise short-term volatility in investment performance;
"Statutory Valuation Method" or "SVM"	valuation requirements as laid out in a board notice issued by the FSB, entitled "Prescribed requirements for the calculation of the value of the assets, liabilities and capital adequacy requirement of long-term insurers" or the equivalent valuation requirements of the regulators of the Group's insurance subsidiaries outside of South Africa;
"surrender value"	the surrender value of a policy is the cash value, if any, that is payable in respect of that policy upon cancellation by the policyholder;
"value of in-force covered business" or "VIF"	the value of in-force covered business is calculated as the discounted value, using a risk-adjusted discount rate, of the projected stream of future after-tax profits expected to be earned over the life of the in-force book;
"value of new business" or "VNB"	the value of new business is calculated as the discounted value, at point of sale, using a risk-adjusted discount rate, of the projected stream of after-tax profits for new covered business issued, net of the cost of capital over the life of this business;

Major businesses and regions of the Group

"anglophone"	countries belonging to an English-speaking population especially in a country where two or more languages are spoken, e.g. Kenya and Zimbabwe;
"Channel Life"	Channel Life Limited, a subsidiary of Sanlam Life conducting mainly life insurance business in South Africa;
"francophone"	a population using French as its first or sometimes second language;
"lusophone"	countries where Portuguese is the common language: Angola, Brazil, Cape Verde, Guinea-Bissau, Mozambique, Portugal, São Tomé and Príncipe;
"Saham Finances"	Saham Finances (the insurance arm of the Saham Group) refers to the Group's 100% interest held by SAN JV, a wholly owned subsidiary of the Group (90% held by SEM and 10% held by Santam). Saham Finances operates predominantly across Africa with a presence in the Middle East;
"Sanlam Investments and Pensions"	Sanlam Life and Pensions Limited, a wholly owned subsidiary of Sanlam UK Limited conducting mainly life insurance business in the United Kingdom;
"Sanlam Life"	Sanlam Life Insurance Limited, a wholly owned subsidiary of Sanlam Limited conducting mainly life insurance business;
"Sanlam Limited"	the holding company listed on the JSE Limited and the Namibian Stock Exchange;
"Sanlam", "Sanlam Group" or "the Group"	Sanlam Limited and its subsidiaries, associated companies and joint ventures;
"Sanlam Namibia"	Sanlam Life Namibia, a wholly owned subsidiary of Sanlam Life conducting mainly life insurance business in Namibia;
"SDM Limited"	Sanlam Developing Markets Limited, a wholly owned subsidiary of Sanlam Life conducting mainly life insurance business in South Africa and through its subsidiaries in Africa;
"SEM Proprietary Limited"	Sanlam Emerging Markets Proprietary Limited, a wholly owned subsidiary of Sanlam Life conducting mainly insurance and credit business through its subsidiaries and associated companies in Africa, India and South-East Asia;
"Shriram Capital"	Shriram Capital refers to the Group's 36,85% holding in Shriram Financial Ventures (Chennai) Private Limited, an Indian based company that holds 70,56% of Shriram Capital Limited, resulting in a 26% effective holding by Sanlam. It also includes the Group's direct holding in Shriram Transport Finance Company, a listed business within the Shriram Capital group.

SHAREHOLDERS' DIARY AND ADMINISTRATION

Shareholders' diary

Financial year-end	31 December 2019
Annual general meeting	10 June 2020

Reports

Interim report for 30 June 2020	10 September 2019
Announcement of the results for the year ended 31 December 2020	11 March 2021
Annual reporting suite for the year ended 31 December 2020	31 March 2021

Dividends

Dividend for 2019 declared	12 March 2020
Last date to trade for 2019 dividend	14 April 2020
Shares will trade ex-dividend from	15 April 2020
Record date for 2019 dividend	17 April 2020
Payment of dividend for 2019	20 April 2020
Declaration of dividend for 2020	11 March 2021
Payment of dividend for 2020	April 2021

To allow for the dividend calculation, Sanlam's share register (including Sanlam's two nominee companies, namely Sanlam Share Account Nominee Proprietary Limited and Sanlam Fundshares Nominee Proprietary Limited), will be closed for all transfers, off-market transactions and dematerialisations or rematerialisations between Wednesday 15 April 2020 and Friday 17 April 2020, both dates included.

Transactions on the JSE via Strate are not affected by this arrangement.

Administration

Registered name

Sanlam Limited

(Registration number: 1959/001562/06)
(Tax reference number: 9536/346/84/5)
JSE share code (primary listing): SLM
A2X share code: SLM
NSX share code: SLA

ISIN: ZAE000070660

Incorporated in South Africa

Group Company Secretary

Sana-Ullah Bray

Registered Office
2 Strand Road, Bellville 7530
South Africa
Telephone: +27 (0)21 947 9111
Fax: +27 (0)21 947 3670

Postal address

PO Box 1, Sanlamhof 7532, South Africa

Sponsor

The Standard Bank Group of South Africa Limited

Internet address

http://www.sanlam.co.za

Transfer secretaries

Computershare Proprietary Limited
(Registration number 2000/006082/07)

Rosebank Towers, 15 Biermann Avenue, Rosebank 2196, South Africa

PO Box 61051, Marshalltown 2107, South Africa

Telephone +27 (0)11 370 5000

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